SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

Lake Ariel Bancorp, Inc.
(Name of Issuer)

Common Stock, par value $.21 per share
(Title of Class of Securities)

507467 10 8
(CUSIP Number of Class of Securities)

Mr. Daryl R. Forsythe
President and Chief Executive Officer
NBT Bancorp Inc.
52 South Broad Street
Norwich, New York 13815
(607) 337-6000

(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

Copy to:

Brian D. Alprin, Esq.
Laurence S. Lese, Esq.
Duane, Morris & Heckscher LLP
1667 K Street, N.W., Suite 700
Washington, D.C. 20006
(202) 776-7800

August 16, 1999
(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Statement because of Rule 13d-1(b)(3) or (4), check the following: [ ]

Check the following box if a fee is being paid with this Statement: [ ]

(1)	NAMES OF REPORTING PERSONS S.S. OR I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS NBT BANCORP INC. 16-1268674	
(2)	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP:	(a) [ ] (b) [ ]
(3)	SEC USE ONLY	
(4)	SOURCE OF FUNDS* WC/00	
(5)	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e)	[ ]

(6)	CITIZENSHIP OR PLACE OF ORGANIZATION	
	DELAWARE	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	(7) SOLE VOTING POWER	965,300(1)
	(8) SHARED VOTING	-0-

	(9) SOLE DISPOSITIVE	965,300(1)
	(10) SHARED DISPOSITIVE	-0-

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

965,300(1)

(12) CHECK BOX IF THE AGGREGATE AMOUNT IN ROW 11 EXCLUDES CERTAIN SHARES* [ ]

N/A

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 11

APPROXIMATELY 16.6%(2)

(14) TYPE OF REPORTING PERSON*

CO

* SEE INSTRUCTIONS BEFORE FILLING OUT!

(1) The shares of Issuer common stock covered by this report are purchasable by the Reporting Person upon exercise of an option granted to the Reporting Person as of August 16, 1999, and described in Item 4 of this report. Prior to the exercise of the option, the Reporting Person is not entitled to any rights as a stockholder of Issuer as to the shares covered by the option. The option may only be exercised upon the happening of certain events referred to in Item 4, none of which has occurred as of the date hereof. The Reporting Person expressly disclaims beneficial ownership of any of the shares of common stock of Issuer which are purchasable by the Reporting Person upon exercise of the option until such time as the Reporting Person purchases any such shares upon any such exercise. The number of shares indicated represents 19.9% of the total outstanding shares of common stock of Issuer as of August 16, 1999, excluding shares issuable upon exercise of the option.

(2) After giving effect to the exercise of the option as described herein.

ITEM 1. SECURITY AND ISSUER.

This statement on Schedule 13D (the "Schedule 13D") relates to the common stock, par value $.21 per share (the "Shares" or the "Issuer Common Stock"), of Lake Ariel Bancorp, Inc., a Pennsylvania corporation (the "Issuer"). The principal executive office of the Issuer is located at Post Office Box 67, Route 191, Lake Ariel, PA 18436.

The information set forth in the Exhibits hereto is hereby expressly incorporated herein by reference and the responses to each item of this Schedule 13D are qualified in their entirety by the provisions of such Exhibits.

ITEM 2. IDENTITY AND BACKGROUND.

(a)-(c) This Schedule 13D is filed by NBT Bancorp Inc., a Delaware corporation (the "Reporting Person").

The business address of the Reporting Person is 52 South Broad Street, Norwich, New York 13815. The principal business of the Reporting Person is a bank holding company.

To the best of the Reporting Person's knowledge as of the date hereof, the name; business address; present principal occupation or employment; name, principal business and address of any corporation or other organization in which such employment is conducted; and citizenship of each executive officer and director of the Reporting Person is set forth in Schedule I hereto. The information contained in Schedule I is incorporated herein by reference.

(d)-(e) During the last five years, neither the Reporting Person nor, to the best knowledge of the Reporting Person, any of the executive officers or directors of the Reporting Person, has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors), or been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such items.

ITEM 3. SOURCE AND AMOUNT OF FUNDS OR OTHER CONSIDERATION.

The Option (defined in Item 4 below) to acquire Shares was granted to the Reporting Person as an inducement to the Reporting Person's entering into an Agreement and Plan of Merger, dated as of August 16, 1999, by and between the Reporting Person and the Issuer (the "Plan of Merger"), providing for the merger (the "Merger") of the Issuer with and into the Reporting Person with the Reporting Person being the surviving corporation, pursuant to which each outstanding Share will be converted into the right to receive shares of common stock, no par value, $1.00 stated value per share, of the Reporting Person (the "Reporting Person Common Stock"). The Merger is subject to the approval of the Issuer's and Reporting Person's stockholders, respectively, regulatory approvals, and the satisfaction or waiver of various other conditions, as more fully described in the Plan of Merger. None of the

Triggering Events (defined in Item 4 below) permitting the exercise of the Option has occurred as of the date hereof. In the event that the Option becomes exercisable and the Reporting Person wishes to purchase the Shares subject thereto, the Reporting Person anticipates that it would fund the exercise price of $10,980,288 (assuming full exercise of the Option) with working capital or through other financing sources available to the Reporting Person at the time of exercise. A copy of the Plan of Merger is attached hereto as Exhibit 2.1. See also Item 4 below.

ITEM 4. PURPOSE OF THE TRANSACTION.

The information set forth in Item 3 is hereby incorporated herein by reference.

The purpose of the transaction is for Issuer to merge with and into Reporting Person, with Reporting Person being the surviving entity. In connection with the Plan of Merger and in consideration thereof, Issuer and the Reporting Person entered into that certain Stock Option Agreement (the "Option Agreement"), dated August 16, 1999, whereby Issuer granted to the Reporting Person an option (the "Option") to purchase, under certain circumstances described therein, up to 965,300 Shares at a cash purchase price per Share equal to $11.375, subject to antidilution adjustment as provided therein (the "Purchase Price"). Based on the number of Shares outstanding on August 16, 1996, the Option would be exercisable for approximately 19.9% of the outstanding Shares, or approximately 16.6% of the Shares that would be outstanding after giving effect to the exercise of the Option.

The Reporting Person may exercise the Option, in whole or in part, at any time and from time to time following the happening of certain events (each, a "Triggering Event"), provided that the Reporting Person provide written notice of such exercise to the Issuer in accordance with the Option Agreement. A Triggering Event includes any one or more of the following events:

(a) Issuer or LA Bank, National Association (the "Bank Subsidiary"), without having received Reporting Person's prior written consent, shall have entered into an agreement to engage in an Acquisition Transaction (as defined below) with any person (the term "person" for purposes of the Plan of Merger having the meaning assigned thereto in sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) other than Reporting Person or any of its subsidiaries (each a "Reporting Person Subsidiary"), or the Board of Directors of Issuer (the "Issuer Board") or of the Bank Subsidiary shall have recommended that the shareholders of Issuer approve or accept any Acquisition Transaction other than as contemplated by the Plan of Merger;

(b) Any person other than the Reporting Person or any Reporting Person Subsidiary shall have acquired beneficial ownership or the right to acquire beneficial ownership of 10 percent or more of the outstanding Shares (the term "beneficial ownership" for purposes of the Plan of Merger having the meaning assigned thereto in section 13(d) of the Exchange Act and the rules and regulations thereunder), or, to the extent any such person has currently acquired beneficial ownership or the right to acquire beneficial ownership of 10 percent or more of the outstanding Shares, such person shall have acquired beneficial ownership or the right to acquire beneficial ownership of any additional Shares;

(c) The shareholders of Issuer shall have voted on and failed to approve the Plan of Merger at a meeting which has been held for that purpose or any adjournment or postponement thereof, or such meeting shall not have been held in violation of the Plan of Merger or shall have been canceled prior to termination of the Plan of Merger if, prior to such meeting (or if such meeting shall not have been held or shall have been canceled, prior to such termination), it shall have been publicly announced that any person (other than Reporting Person or any Reporting Person Subsidiary) shall have made a bona fide proposal to engage in an Acquisition Transaction;

(d) The Issuer Board shall have withdrawn or modified (or publicly announced its intention to withdraw or modify) in any manner adverse to Reporting Person its recommendation that the shareholders of Issuer approve the transactions contemplated by the Plan of Merger or Issuer or the Bank Subsidiary shall have authorized, recommended or proposed (or publicly announced its intention to authorize, recommend or propose) an agreement to engage in an Acquisition Transaction with any person other than Reporting Person or any Reporting Person Subsidiary;

(e) Any person other than Reporting Person or any Reporting Person Subsidiary shall have made a bona fide proposal to Issuer or its shareholders to engage in an Acquisition Transaction and such proposal shall have been publicly announced;

(f) Any person other than Reporting Person or any Reporting Person Subsidiary shall have filed with the Securities and Exchange Commission ("SEC") a registration statement or tender offer materials with respect to a potential exchange or tender offer that would constitute an Acquisition Transaction;

(g) Issuer shall have breached any covenant or obligation contained in the Plan of Merger in anticipation of engaging in an Acquisition Transaction with any person other than Reporting Person or a Reporting Person Subsidiary, and following such breach, Reporting Person would be entitled to terminate the Plan of Merger pursuant to section 11.2(b) of the Plan of Merger, or

(h) any person other than Reporting Person or any Reporting Person Subsidiary shall have filed an application or notice with the Board of Governors of the Federal Reserve System or other federal or state bank regulatory or antitrust authority, which application or notice has been accepted for processing, for approval to engage in an Acquisition Transaction.

The term "Acquisition Transaction" means any transaction under which a person proposes to or will acquire a majority of the stock of, merge or consolidate with, or acquire all or substantially all of the assets of the Issuer or the Bank Subsidiary, or otherwise engage in any substantially similar transaction with the Issuer or the Bank Subsidiary.

The Option and the Option Agreement will terminate upon the earliest of (a) occurrence of the Effective Time (as such term is defined in the Plan of Merger); (b) termination of the Plan of Merger in accordance with the provisions thereof except (each of the following exceptions being hereinafter collectively referred to as an "Excepted Termination") a termination by Reporting Person pursuant to section 11.2(b) of the Plan of Merger as a result of a breach by Issuer of the type described in such

provision, or a termination by Issuer pursuant to section 11.2(c)(iii) of the Plan of Merger; or (c) the passage of 18 months (or such longer period as provided in section 10) after an Excepted Termination.

Upon the occurrence of certain events set forth in the Option Agreement, the Option may be repurchased by Issuer (the "Repurchase"). In addition, the Option Agreement grants certain registration rights (the "Registration Rights") to the Reporting Person with respect to the Shares represented by the Option. The terms of such Repurchase and Registration Rights are set forth in the Option Agreement.

A copy of the Option Agreement is attached hereto as Exhibit 2.3.

The purpose of the Option Agreement is to facilitate consummation of the Merger.

(a)-(j) Upon consummation of the Merger as contemplated by the Plan of Merger, (a) the Issuer will be merged into Reporting Person and the separate existence of Issuer will terminate, (b) Reporting Person by operation of law will own the assets and be subject to the liabilities of the Issuer in exchange for Reporting Person Common Stock to be distributed to holders of the Issuer's securities, (c) the Board of Directors of the Issuer will be terminated, (d) the Certificate of Incorporation and Bylaws of the Issuer will be canceled, (e) all the Shares will be canceled upon effectiveness of the Merger and the Shares will cease to be authorized to be listed on the NMS of NASDAQ, and (f) the Shares will become eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934, as amended.

ITEM 5. INTEREST IN SECURITIES OF THE ISSUER.

(a)-(b) The number of Shares covered by the Option is equal to 965,300 which constitute (i) 19.9% of Issuer Common Stock based on the Shares issued and outstanding on August 16, 1999, or (ii) 16.6% of the shares of Issuer Common Stock that would be outstanding after giving effect to the exercise of the Option.

Prior to the exercise of the Option, the Reporting Person (i) is not entitled to any rights as a stockholder of Issuer as to the Shares covered by the option and (ii) disclaims any beneficial ownership of the shares of Issuer Common Stock which are purchasable by the Reporting Person upon exercise of the Option because the Option is exercisable only in the limited circumstances referred to in Item 4 above, none of which has occurred as of the date hereof. If the Option were exercised, the Reporting Person would have the sole right to vote or to dispose of the shares of Issuer Common Stock issued as a result of such exercise.

(c) Other than as set forth in this Item 5, to the best of the Reporting Person's knowledge as of the date hereof (i) neither the Reporting Person nor any subsidiary or affiliate of the Reporting Person nor any of the Reporting Person's executive officers or directors beneficially owns any shares of Issuer Common Stock, and (ii) there have been no transactions in the shares of Issuer Common Stock effected during the past 60 days by the Reporting Person, nor to the best of the Reporting Person's knowledge, by any subsidiary or affiliate of the Reporting Person or any of the Reporting Person's executive officers of directors.

(d) No other person is known by the Reporting Person to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Issuer Common Stock obtainable by the Reporting Person upon exercise of the Option.

(e) Not applicable.

ITEM 6. CONTRACTS, ARRANGEMENTS, UNDERSTANDINGS OR RELATIONSHIPS WITH RESPECT TO SECURITIES OF THE ISSUER.

The disclosure set forth in Items 3 and 4 above regarding the Plan of Merger and Option Agreement is hereby incorporated herein by reference.

As a part of the Plan of Merger, each of Issuer's directors has agreed individually and as a group, subject to their fiduciary duties to the stockholders, to support the Plan of Merger and to recommend its adoption by other stockholders of Issuer and to refrain from soliciting, negotiating, or accepting any offer of merger, consolidation, or acquisition of any of the Shares or all or substantially all of the assets of the Issuer or any of its subsidiaries.

ITEM 7. MATERIAL TO BE FILED AS EXHIBITS.

EXHIBIT DESCRIPTION

2.1 Agreement and Plan of Merger, dated as of August 16, 1999, by and between NBT Bancorp Inc. and Lake Ariel Bancorp, Inc.

2.2 The Directors' Agreement, dated as of August 16, 1999, is part of the Plan of Merger, which is filed as Exhibit 2.1 above.

2.3 Stock Option Agreement, dated August 16, 1999, by and between Lake Ariel Bancorp, Inc. as "Issuer" and NBT Bancorp Inc. as "Grantee."

2.4 Form of Employment Agreement with John G. Martines

2.5 Form of Change-in-Control Agreement

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that this statement is true, complete and correct.

NBT BANCORP INC.

By: /s/ Daryl R. Forsythe
Name: Daryl R. Forsythe
Title: President and Chief Executive Officer

Dated: August 17, 1999

SCHEDULE I

DIRECTORS AND EXECUTIVE OFFICERS OF NBT BANCORP INC.

The following table sets forth the name, business address and present principal occupation or employment of each director and executive officer of the Reporting Person. Each such person is a U.S. citizen, and the business address of each such person is 52 South Broad Street, Norwich, New York 13815.

Name and Business Address	Present Principal Occupation
*Daryl R. Forsythe	President and Chief Executive Officer
*Everett A. Gilmour	Chairman, Retired
Joe C. Minor	Executive Vice President, Chief Financial Officer, and Treasurer
John D. Roberts	Vice President and Secretary
*J. Peter Chaplin	Retired
*Peter B. Gregory	Partner, Gatehouse Antiques
*Andrew S. Kowalczyk, Jr.	Partner, Kowalczyk, Tolles, Deery & Johnston, attorneys
*Dan B. Marshman	Marshman Farms, Inc.
*John C. Mitchell	President, I.L. Richer Co. (agribusiness)
*William L. Owens	Partner, Stafford, Trombley, Owens & Curtin, P.C., attorneys
*Paul O. Stillman	Chairman, Preferred Mutual Insurance Co.

*Director of NBT Bancorp Inc.

EXHIBIT INDEX

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2.5	Form of Change-in-Control Agreement

EXHIBIT 2.1

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER made as of the sixteenth day of August, 1999, among NBT BANCORP INC. ("NBTB"), a Delaware corporation having its principal office in Norwich, New York and LAKE ARIEL BANCORP, INC. ("LABN"), a Pennsylvania corporation having its principal office in Lake Ariel, Pennsylvania

W I T N E S S E T H T H A T :

WHEREAS, NBTB and LABN are bank holding companies which desire to affiliate with each other through the merger of LABN with and into NBTB, with NBTB to be the surviving corporation (the "Merger");

WHEREAS, the Board of Directors of LABN has determined that it would be in the best interests of LABN, its shareholders, its customers, and the areas served by LABN to become affiliated with NBTB through the Merger;

WHEREAS, subject to the terms and conditions hereof, the respective Boards of Directors of NBTB and LABN have agreed to cause the Merger pursuant to the provisions of section 251 et seq. of the Delaware General Corporation Law (the "GCL") and section 1921 et seq. of the Pennsylvania Business Corporation Law (the "BCL");

WHEREAS, the parties intend that the Merger qualify as a tax-free reorganization under section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and that the business combination contemplated hereby be accounted for under the "pooling-of-interests" accounting method; and

WHEREAS, the parties desire to make certain representations, warranties, and agreements in connection with the Merger and also to prescribe certain conditions to the Merger;

NOW, THEREFORE, in consideration of these premises and the mutual agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. COMBINATION.

1.1. Merger of NBTB and LABN. Subject to the provisions of this Agreement, on the date and at the time to be specified in the Certificate of Merger to be filed on the date of the Closing with the Secretary of State of the State of Delaware pursuant to the GCL and in the Articles of Merger to be filed on the date of the Closing with the Secretary of State of the Commonwealth of Pennsylvania pursuant to the BCL (the "Effective Time"), LABN will be merged with and into NBTB.

1.2. Effect of the Merger. At the Effective Time:

(a) LABN and NBTB (the "Constituent Corporations") shall be a single corporation, which shall be NBTB. NBTB is hereby designated as the surviving corporation in the Merger and is hereinafter sometimes called the "Surviving Corporation."

(b) The separate existence of LABN shall cease.

(c) The Surviving Corporation shall have all the rights, privileges, immunities, and powers and shall assume and be subject to all the duties and liabilities of a corporation organized under the GCL.

(d) The Surviving Corporation shall thereupon and thereafter possess all of the rights, privileges, immunities, and franchises, of a public as well as of a private nature, of each of the Constituent Corporations; and all property, real, personal and mixed, and all debts due on whatever account, including subscriptions for shares and all other choses in action, and all and every other interest of and belonging to or due to each of the Constituent Corporations shall be taken and deemed to be transferred to and vested in the Surviving Corporation without further action, act or deed; and the title to any real estate, or any interest therein, vested in either of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger.

(e) The Surviving Corporation shall thenceforth be responsible and liable for all the liabilities and obligations of each of the Constituent Corporations; and any claim existing or action or proceeding pending by or against either of the Constituent Corporations may be prosecuted to judgment as if the Merger had not taken place, or the Surviving Corporation may be proceeded against or substituted in its place. The Surviving Corporation expressly assumes and agrees to perform all of LABN's liabilities and obligations. Neither the rights of creditors nor any liens upon the property of either of the Constituent Corporations shall be impaired by the Merger.

(f) Any taxes, penalties, and public accounts of the Commonwealth of Pennsylvania, claimed against either of the Constituent Corporations but not settled, assessed, or determined prior to the Merger shall be settled, assessed, or determined against the Surviving Corporation and, together with interest thereon, shall be a lien against the franchises and property, both real and personal, of the Surviving Corporation.

(g) The Certificate of Incorporation of NBTB as it exists immediately prior to the Effective Time shall be amended by amending Article FOURTH thereof to read as follows:

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have the authority to issue is Twenty Million (20,000,000) shares, consisting of Seventeen Million Five Hundred Thousand (17,500,000) shares of Common Stock having no par value, stated value $1.00 per share, and Two Million Five Hundred Thousand (2,500,000) shares of Preferred Stock having no par value, stated value $1.00 per share.

and, as so amended, shall be the Certificate of Incorporation of the Surviving Corporation until later amended pursuant to Delaware law.

(h) The By-Laws of NBTB as they exist immediately prior to the Effective Time shall be the By-Laws of NBTB until later amended pursuant to Delaware law.

(i) The authorized shares of capital stock of NBTB as of the Effective Time shall be 2,500,000 shares of Preferred Stock, no par value, $1.00 stated value, and 17,500,000 shares of Common Stock, no par value, $1.00 stated value (the "NBTB Common Stock").

(j) Subject to the terms, conditions, and limitations set forth herein, at the Effective Time and until surrendered for exchange and payment, each outstanding stock certificate which, prior to the Effective Time, represented shares of the common stock, $0.21 par value, of LABN (the "LABN Common Stock"), other than any shares of LABN Common Stock held by NBTB (other than in a fiduciary, representative, or custodial capacity), which shall be canceled without any payment therefor, except for any dividends declared prior to the Effective Time but not yet paid as of the Effective Time, shall, by virtue of this Agreement and without any action on the part of the holder or holders thereof, cease to represent an issued and existing share and shall be converted into a right to receive from NBTB, and shall for all purposes represent the right to receive, upon surrender of the certificate formerly representing such shares, a certificate representing the number of shares of NBTB Common Stock specified in section 1.3 of this Agreement; provided that, with respect to any matters relating to stock certificates representing LABN Common Stock, NBTB may rely conclusively upon the record of stockholders maintained by LABN containing the names and addresses of the holders of record of LABN's Common Stock at the Effective Time.

1.3. Consideration for Merger. Subject to the terms, conditions, and limitations set forth herein, as a result of the Merger, each share of LABN Common Stock other than shares of LABN Common Stock held by NBTB (other than in a fiduciary, representative, or custodial capacity) shall be converted into the right to receive, in exchange for each share of LABN Common Stock held of record as of the Effective Time, that number of shares (the "Exchange Ratio") of NBTB Common Stock calculated (subject to the next sentence and to the procedures specified in section 11.2(d)(ii) of this Agreement) by dividing $18.50 by the average of the closing bid price and the closing asked price per share for NBTB Common Stock as reported on the Nasdaq National Market (or, in the absence thereof, as reported by or determined by reference to such other source upon which NBTB and LABN shall agree) for each of the twenty consecutive trading days ending on and including the eighth trading day before the Effective Time (the "Average Closing Price"). Notwithstanding the foregoing, however, (a) if the ratio computed in accordance with the preceding sentence is less than 0.8315, then the Exchange Ratio shall be 0.8315; and (b) if the ratio computed in accordance with the preceding sentence is more than 0.9487, then the Exchange Ratio shall be 0.9487.

1.4. No Fractional Shares. NBTB will not issue fractional shares of its stock. In lieu of fractional shares of NBTB Common Stock, if any, each shareholder of LABN who is entitled to a fractional share of NBTB Common Stock shall receive an amount of cash equal to the product of such fraction times the Average Closing Price. Such fractional share interest shall not include the right to vote or to receive

dividends or any interest thereon.

1.5. Dividends; Interest. No shareholder of LABN will be entitled to receive dividends on his, her or its NBTB Common Stock until he, she or it exchanges his, her or its certificates representing LABN Common Stock for NBTB Common Stock. Any dividends declared on NBTB Common Stock to holders of record on or after the Effective Time shall, with respect to stock to be delivered pursuant to this Agreement to shareholders of LABN who have not exchanged their certificates representing LABN Common Stock for NBTB Common Stock, be paid to the Exchange Agent (as designated in section 1.6 of this Agreement) and, upon receipt from a former shareholder of LABN of certificates representing shares of LABN Common Stock, the Exchange Agent shall forward to such former shareholder of LABN (i) certificates representing his, her or its shares of NBTB Common Stock, (ii) dividends declared thereon subsequent to the Effective Time (without interest) and (iii) the cash value of any fractional shares determined in accordance with section 1.4 hereof.

1.6. Designation of Exchange Agent.

(a) The parties to this Agreement hereby designate American Stock Transfer and Trust Company, New York, New York ("AST") as Exchange Agent to effect the exchanges contemplated hereby.

(b) NBTB will, promptly after the Effective Time, issue and deliver to AST the share certificates representing shares of NBTB Common Stock (each a "New Certificate") and the cash to be paid to holders of LABN Common Stock in accordance with this Agreement.

(c) If any New Certificate is to be issued in a name other than that in which the certificate formerly representing LABN Common Stock (an "Old Certificate") and surrendered for exchange was issued, the Old Certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and the person requesting such exchange shall pay to AST any transfer or other taxes required by reason of the issuance of the New Certificate in any name other than that of the registered holder of the Old Certificate surrendered, or establish to the satisfaction of AST that such tax has been paid or is not payable.

(d) In the event that any Old Certificates have not been surrendered for exchange in accordance with this Agreement on or before the second anniversary of the Effective Time, NBTB may at any time thereafter, with or without notice to the holders of record of such Old Certificates, sell for the accounts of any or all of such holders any or all of the shares of NBTB Common Stock which such holders are entitled to receive under Section 1.3 hereof (the "Unclaimed Shares"). Any such sale may be made by public or private sale or sale at any broker's board or on any securities exchange in such manner and at such times as NBTB shall determine. If, in the opinion of counsel for NBTB, it is necessary or desirable, any Unclaimed Shares may be registered for sale under the Securities Act of 1933, as amended (the "Securities Act") and applicable state laws. NBTB shall not be obligated to make any sale of Unclaimed Shares if it shall determine not to do so, even if notice of sale of the Unclaimed Shares has been given. The net proceeds of any such sale of Unclaimed Shares shall be held for holders of the unsurrendered Old Certificates whose Unclaimed Shares have been sold, to be paid

to them upon surrender of the Old Certificates. From and after any such sale, the sole right of the holders of the unsurrendered Old Certificates whose Unclaimed Shares have been sold shall be the right to collect the net sale proceeds held by NBTB for their respective accounts, and such holders shall not be entitled to receive any interest on such net sale proceeds held by NBTB.

(e) If any Old Certificates are not surrendered prior to the date on which such certificates would otherwise escheat to or become the property of any governmental unit or agency, the unclaimed items shall, to the extent permitted by abandoned property and any other applicable law, become the property of NBTB (and to the extent not in its possession shall be paid over to it), free and clear of all claims or interest of any person previously entitled to such claims. Notwithstanding the foregoing, neither NBTB nor its agents or any other person shall be liable to any former holder of LABN Common Stock for any property delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

1.7. Notice of Exchange. Promptly after the Effective Time, AST shall mail to each holder of one or more certificates formerly representing LABN Common Stock a notice specifying the Effective Time and notifying such holder to surrender his, her or its certificate or certificates to AST for exchange. Such notice shall be mailed to holders by regular mail at their addresses on the records of LABN.

1.8. Acts to Carry Out This Merger Plan.

(a) LABN and its proper officers and directors shall do all such acts and things as may be necessary or proper to vest, perfect, or confirm in NBTB title to such property or rights as are specified in sections 1.2(c) and 1.2(d) of this Agreement and otherwise to carry out the purposes of this Agreement.

(b) If, at any time after the Effective Time, NBTB shall consider or be advised that any further assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect, or confirm, of record or otherwise, in NBTB its right, title, or interest in or under any of the rights, properties, or assets of LABN acquired or to be acquired by NBTB as a result of, or in connection with, the Merger, or (ii) otherwise carry out the purposes of this Agreement, LABN and its proper officers and directors shall be deemed to have granted to NBTB an irrevocable power of attorney to execute and deliver all such proper deeds, assignments, and assurances in law and to do all acts necessary or proper to vest, perfect, or confirm title to and possession of such rights, properties, or assets in NBTB and otherwise to carry out the purposes of this Agreement; and the proper officers and directors of NBTB are fully authorized in the name of LABN or otherwise to take any and all such action.

1.9. Treatment of Stock Options. At the Effective Time, each stock option to purchase LABN Common Stock not exercised prior to the Effective Time (each, a "Converted Option"), whether vested or unvested, shall automatically be converted into an option (a "Replacement Option") to acquire, on the same terms and conditions as were applicable under the terms of such Converted Option and any option plan under which such Converted Option was issued (or as near thereto as is practicable), a number of shares of NBTB Common Stock equal to (rounded down to the nearest whole number of shares) (a) the number of shares of LABN Common Stock subject to such Converted Option as of the

Effective Time multiplied by (b) the Exchange Ratio, at an exercise price per share (rounded down to the nearest whole cent) equal to (x) the aggregate exercise price under such Converted Option for all of the shares of LABN Common Stock subject to such Converted Option at the Effective Time divided by (y) the number of shares of NBTB Common Stock subject to such Replacement Option. Notwithstanding the foregoing, each Converted Option which is intended to be an "incentive stock option" (as defined in section 422 of the Code) shall be adjusted in accordance with the requirements of section 424 of the Code. At or prior to the Effective Time, LABN shall take all action, if any, necessary with respect to any Converted Options or stock plans under which Converted Options have been issued to permit the replacement of the Converted Options with Replacement Options as contemplated by this section 1.9. At the Effective Time, NBTB shall assume such stock plans; provided, that such assumption shall only be in respect of the Replacement Options and that NBTB shall have no obligation with respect to any awards under such plans other than the Replacement Options and shall have no obligation to make any additional grants or awards under such assumed plans.

1.10. Stock Option Agreement. Simultaneously herewith, NBTB and LABN shall execute and deliver the Stock Option Agreement in the form attached hereto as Exhibit I. The option that is the subject of the Stock Option Agreement will terminate as of, and will not be exercisable following, the Effective Time.

1.11. Executive Officers and Directors of LABN.

(a) At the Effective Time, in consideration for and against delivery of a full and unconditional release granted in favor of NBTB, LABN, and LA Bank, National Association ("LA Bank") by John G. Martines ("Martines") from any and all claims, actions, or liabilities which Martines may have, may have had, or could have against NBTB, LABN, or LA Bank (except entitlements granted to Martines by this Agreement, the employment agreement described in section 4.8 hereof (the "Martines Employment Agreement"), the LA Bank, N.A. Salary Continuation Agreement dated March 11, 1997 between LA Bank and Martines, the Supplementary Retirement Benefit Agreement dated January 6, 1995 between LA Bank and Martines, and the Salary Continuation Agreement dated May 5, 1989 between LA Bank and Martines), and subject in every case to section 18(k) of the Federal Deposit Insurance Act (12 U.S.C. Section 1828(k)), NBTB will tender to Martines the Martines Employment Agreement and the change-in-control agreement described in section 5.5 hereof.

(b) At the Effective Time, in consideration for and against delivery of a full and unconditional release granted in favor of NBTB, LABN, and LA Bank, National Association ("LA Bank") by Louis M. Martarano ("Martarano") from any and all claims, actions, or liabilities which Martarano may have, may have had, or could have against NBTB, LABN, or LA Bank (except entitlements granted to Martarano by this Agreement or the LA Bank, N.A. Salary Continuation Agreement dated March 11, 1997 between LA Bank and Martarano), and subject in every case to section 18(k) of the Federal Deposit Insurance Act (12 U.S.C. Section 1828(k)), NBTB will tender to Martarano the change-in-control agreement described in section 5.5 hereof.

(c) At the Effective Time, in consideration for and against delivery of a full and

unconditional release granted in favor of NBTB, LABN, and LA Bank, National Association ("LA Bank") by Joseph J. Earyes ("Earyes") from any and all claims, actions, or liabilities which Earyes may have, may have had, or could have against NBTB, LABN, or LA Bank (except entitlements granted to Earyes by this Agreement or the LA Bank, N.A. Salary Continuation Agreement dated March 11, 1997 between LA Bank and Earyes), and subject in every case to section 18(k) of the Federal Deposit Insurance Act (12 U.S.C. Section 1828(k)), NBTB will tender to Earyes the change-in-control agreement described in section 5.5 hereof.

(d) Subject to the fiduciary duties of its directors to NBTB, as promptly as practicable after the Effective Time NBTB will use its best efforts to cause William C. Gumble ("Gumble"), Bruce D. Howe ("Howe"), and Martines to be elected or appointed as directors of NBTB, with Gumble to serve as a director of the class whose term expires in 2001, Martines to serve as a director of the class whose term expires in 2000, and Howe to serve as a director of the class whose term expires in 2002.

(e) At its next annual meeting of stockholders, NBTB will propose to its stockholders that Martines be reelected to the board of directors of NBTB as a member of the class whose term shall expire in 2003.

1.12. Employee Benefits.

(a) If any employee of LABN or of LA Bank becomes a participant in any employment benefit plan, practice, or policy of NBTB or NBT Bank, National Association ("NBT Bank"), such employee shall be given credit under such plan, practice, or policy for all service prior to the Effective Time with LABN or LA Bank for purposes of eligibility and vesting, but not for benefit accrual purposes, for which such service is taken into account or recognized, and, if necessary, NBTB shall cause any and all pre-existing condition limitations and eligibility waiting periods under group health plans to be waived with respect to such participants and their eligible dependents (except to the extent such pre-existing condition limitations are no more onerous than similar limitations, or such waiting periods do not extend any waiting period, applicable to such employee under the plans of LABN or LA Bank), provided that there be no duplication of such benefits as are provided under any employee benefit plans, practices, or policies of LABN or LA Bank that continue in effect following the Effective Time.

(b) Each employee of LABN or LA Bank (except Martines, Martarano, and Earyes) who becomes an employee of NBTB or any of its subsidiaries or who, following the Effective Time, remains an employee of LA Bank and is terminated by NBTB or any of its subsidiaries (including LA Bank) subsequent to the Effective Time shall be entitled to severance pay, if any, in accordance with the general severance policy of NBTB. Such employee's service with LABN or LA Bank shall be treated as service with NBTB for purposes of determining the amount of severance pay, if any, under the severance policy of NBTB.

2. EFFECTIVE TIME.

The Effective Time shall be the date and time specified in the certificate of merger to be filed with the Secretary of State of the State of Delaware pursuant to section 252 of the GCL to effectuate the Merger, the date of which shall be the latest of:

2.1. LABN Shareholder Approval. The day upon which the shareholders of LABN approve, ratify, and confirm the Merger by the affirmative vote of the holders of at least 66 2/3 percent of the outstanding shares of LABN Common Stock;

2.2. NBTB Shareholder Approval. The day upon which the shareholders of NBTB approve this Agreement;

2.3. Federal Reserve Approval. The first to occur of (a) the date thirty days following the date of the order of the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York acting pursuant to authority delegated to it by the Board of Governors of the Federal Reserve System (collectively, the "Board of Governors") approving the Merger, or (b) if, pursuant to section 321(a) of the Riegle Community Development and Regulatory Improvement Act of 1994 (the "Riegle Act"), the Board of Governors shall have prescribed a shorter period of time with the concurrence of the Attorney General of the United States, the date on which such shorter period of time shall elapse; or

2.4. Pennsylvania Department of Banking Approval. The date ten days following the date of the order of the Department of Banking of the Commonwealth of Pennsylvania (the "Department") approving the transactions contemplated by this Agreement;

2.5. Other Regulatory Approvals. The date upon which any other material order, approval, or consent of a federal or state regulator of financial institutions or financial institution holding companies authorizing consummation of the transactions contemplated by this Agreement is obtained or any waiting period mandated by such order, approval, or consent has run;

2.6. Expiration of Stays. Ten days after any stay of the approvals of any of the Board of Governors or the Department of the transactions contemplated by this Agreement or any injunction against closing of said transactions is lifted, discharged, or dismissed; or

2.7. Mutual Agreement. Such other date as shall be mutually agreed to by NBTB and LABN.

3. CONDITIONS PRECEDENT TO PERFORMANCE OF OBLIGATIONS OF THE PARTIES.

The obligations of NBTB and LABN to consummate the Merger shall be subject to the conditions that on or before the Effective Time:

3.1. Regulatory Approvals. Orders, consents, and approvals required to consummate the Merger

shall have been entered by the requisite governmental authorities, and all statutory waiting periods in respect thereof shall have expired.

3.2. Registration Statement.

(a) Effectiveness. The registration statement to be filed by NBTB with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Act in connection with the registration of the shares of NBTB Common Stock to be used as consideration in connection with the Merger (the "Registration Statement") shall have become effective under the Securities Act, and NBTB shall have received all required state securities laws or "blue sky" permits and other required authorizations or confirmations of the availability of exemptions from registration requirements necessary to issue NBTB Common Stock in the Merger.

(b) Absence of Stop-Order. Neither the Registration Statement nor any such required permit, authorization, or confirmation shall be subject to a stop-order or threatened stop-order by the SEC or any state securities authority.

3.3. Approval by Shareholders of LABN. The shareholders of LABN shall have authorized, ratified, and confirmed the Merger by the affirmative vote of the holders of at least 66 2/3 percent of the outstanding shares of LABN Common Stock.

3.4. Approval by Shareholders of NBTB. The shareholders of NBTB shall have approved this Agreement by the affirmative vote of the holders of a majority of the outstanding shares of NBTB Common Stock.

3.5. Federal Income Taxation. NBTB and LABN shall have received a written opinion of Saul, Ewing, Remick & Saul LLP, or of another firm mutually agreeable to NBTB and LABN, applying existing law, that the Merger shall qualify as a reorganization under section 368(a)(1) of the Code and the regulations and rulings promulgated thereunder. In rendering such opinion, the firm rendering the opinion may require and rely upon representations contained in certificates of officers of NBTB, LABN, and others.

3.6. Adverse Legislation. Subsequent to the date of this Agreement, no legislation shall have been enacted and no regulation or other governmental requirement shall have been adopted or imposed that renders or will render consummation of the Merger impossible or illegal.

3.7. Absence of Litigation. No action, suit, or proceeding shall have been instituted or shall have been threatened before any court or other governmental body or by any public authority to restrain, enjoin, or prohibit the Merger, or which would reasonably be expected to restrict materially the operation of the business of LABN or that of LA Bank or the exercise of any rights with respect thereto or to subject either of the parties hereto or any of their subsidiaries, directors, or officers to any liability, fine, forfeiture, divestiture, or penalty on the ground that the transactions contemplated hereby, the parties hereto, or their subsidiaries, directors, or officers have breached or will breach any applicable law or regulation or have otherwise acted improperly in connection with the transactions contemplated

hereby and with respect to which the parties hereto have been advised by counsel that, in the opinion of such counsel, such action, suit, or proceeding raises substantial questions of law or fact which could reasonably be decided materially adversely to either party hereto or its subsidiaries, directors, or officers.

4. CONDITIONS PRECEDENT TO PERFORMANCE OF THE OBLIGATIONS OF NBTB.

The obligations of NBTB hereunder are subject to the satisfaction, on or prior to the Effective Time, of all the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by NBTB in writing unless not so permitted by law:

4.1. Representations and Warranties; Performance of Obligations. All representations and warranties of LABN contained in this Agreement shall be true and correct in all material respects as of the Effective Time with the same effect as if such representations and warranties had been made or given at and as of such date, except that representations and warranties of LABN contained in this Agreement which specifically relate to an earlier date shall be true and correct in all material respects as of such earlier date. All covenants and obligations to be performed or met by LABN on or prior to the Effective Time shall have been so performed or met. On the date of the Effective Time, the president and chief executive officer and the chief financial officer of LABN shall deliver to NBTB a certificate to that effect. The delivery of such certificates shall in no way diminish the warranties, representations, covenants, and obligations of LABN made in this Agreement.

4.2. Opinion of LABN Counsel. NBTB shall have received a favorable opinion from Saul, Ewing, Remick & Saul LLP, dated the date of the Effective Time, substantially in form and substance as that set forth as Exhibit II attached hereto.

4.3. Opinion of LABN Litigation Counsel. NBTB shall have received a favorable opinion from legal counsel handling litigation matters for LABN and LA Bank, dated the date of the Effective Time, substantially in form and substance as that set forth as Exhibit III attached hereto.

4.4. No Adverse Developments.

(a) During the period from June 30, 1999 to the Effective Time, (i) there shall not have been any material adverse effect as defined in section 12.7(d) (a "Material Adverse Effect") with respect to LABN; and (ii) none of the events described in clauses (a) through (f) of section 6.16 of this Agreement shall have occurred, and each of the practices and conditions described in clauses (x) through (z) of that section shall have been maintained.

(b) As of the Effective Time, the capital structure of LABN and the capital structure of LA Bank shall be as stated in section 6.9.

(c) As of the Effective Time, other than liabilities incurred in the ordinary course of business subsequent to June 30, 1999, there shall be no liabilities of LABN or LA Bank which are

material to LABN on a consolidated basis which were not reflected on the consolidated statement of condition of LABN as of June 30, 1999 or in the related notes to the consolidated statement of condition of LABN as of June 30, 1999.

(d) No adverse action shall have been instituted or threatened against LABN or any of its subsidiaries by any governmental authority, or referred by a governmental authority to another governmental authority, for the enforcement or assessment of penalties for the violation of any laws or regulations relating to equal credit opportunity, fair housing, or fair lending.

(e) NBTB shall have received a certificate dated the date of the Effective Time, signed by the president and the chief financial officer of LABN, certifying to the matters set forth in paragraphs (a), (b), (c), and (d) of this section 4.4. The delivery of such officers' certificate shall in no way diminish the warranties and representations of LABN made in this Agreement.

4.5. Consolidated Net Worth. On and as of the Effective Time, the consolidated net worth of LABN as determined in accordance with generally accepted accounting principles shall not be less than the sum of (a) $35,079,000, (b) the proceeds to LABN of the sale of treasury stock since June 30, 1999, and (c) the proceeds to LABN of the exercise of stock options to purchase shares of LABN Common Stock since June 30, 1999.

4.6. Loan Loss Reserve. On and as of the Effective Time, the aggregate reserve for loan losses of LA Bank as determined in accordance with generally accepted accounting principles shall not be less than $2,350,000.

4.7. CRA Rating. The CRA rating of LA Bank shall be no lower than "satisfactory."

4.8. Employment Agreement. Martines shall have entered into an employment agreement with NBTB substantially in form and substance as that set forth as Exhibit IV attached hereto.

4.9. Releases. The releases described in sections 1.11(a), (b), and (c) shall have been delivered to NBTB.

4.10. Accounting Treatment. NBTB shall have received letters (the "Pooling Letters") from KPMG LLP ("KPMG"), the independent auditing firm of NBTB, dated the date of or shortly prior to each of the mailing date of the proxy materials to the shareholders of LABN, and the date of the Effective Time, stating the opinion of KPMG that the Merger shall qualify for pooling-of-interest accounting treatment.

4.11. Affiliates' Agreements. NBTB shall have received a written agreement substantially in form and substance as that set forth as Exhibit V attached hereto (an "Affiliates Agreement"):

(a) on or before the date of this Agreement, from each person who, on the date of this Agreement, is an "affiliate" of LABN (as that term is used in section 7.6 of this Agreement), and

(b) not later than ten days after any other person becomes an "affiliate" of LABN (as that term is used in section 7.6 of this Agreement), from such person.

5. CONDITIONS PRECEDENT TO PERFORMANCE OF OBLIGATIONS OF LABN.

The obligations of LABN hereunder are subject to the satisfaction, on or prior to the Effective Time, of all the following conditions, compliance with which or the occurrence of which may be waived in whole or in part by LABN in writing unless not so permitted by law:

5.1. Representations and Warranties; Performance of Obligations. All representations and warranties of NBTB contained in this Agreement shall be true and correct in all material respects as of the Effective Time with the same effect as if such representations and warranties had been made or given at and as of such date, except that representations and warranties of NBTB contained in this Agreement which specifically relate to an earlier date shall be true and correct in all material respects as of such earlier date. All covenants and obligations to be performed or met by NBTB on or prior to the Effective Time shall have been so performed or met. On the date of the Effective Time, either the president or an executive vice president of NBTB shall deliver to LABN a certificate to that effect. The delivery of such officer's certificate shall in no way diminish the warranties, representations, covenants, and obligations of NBTB made in this Agreement.

5.2. Opinion of NBTB Counsel. LABN shall have received a favorable opinion of Duane, Morris & Heckscher LLP, dated the date of the Effective Time, substantially in form and substance as that set forth as Exhibit VI attached hereto.

5.3. No Adverse Developments. During the period from June 30, 1999 to the Effective Time, there shall not have been any Material Adverse Effect with respect to NBTB, and LABN shall have received a certificate dated the date of the Effective Time signed by either the President or an Executive Vice President of NBTB to the foregoing effect. The delivery of such officer's certificate shall in no way diminish the warranties and representations of NBTB made in this Agreement.

5.4. Status of NBTB Common Stock. The shares of NBTB Common Stock to be issued to the shareholders of LABN upon consummation of the Merger shall have been authorized for inclusion on the Nasdaq National Market (or another national securities exchange) subject to official notice of issuance.

5.5. Change-in-Control Agreements. NBTB shall have tendered to each of Martines, Martarano, and Earyes a change-in-control agreement substantially in form and substance as that set forth as Exhibit VII attached hereto.

6. REPRESENTATIONS AND WARRANTIES OF LABN.

LABN represents and warrants to NBTB as follows:

6.1. Organization, Powers, and Qualification. Each of LABN and LA Bank is a corporation which is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own and operate its properties and assets, to lease properties used in its business, and to carry on its business as now conducted. Each of LABN and LA Bank owns or possesses in the operation of its business all franchises, licenses, permits, branch certificates, consents, approvals, waivers, and other authorizations, governmental or otherwise, which are necessary for it to conduct its business as now conducted, except for those where the failure of such ownership or possession would not have a Material Adverse Effect on LABN or LA Bank. Each of LABN and LA Bank is duly qualified and licensed to do business and is in good standing in every jurisdiction with respect to which the failure to be so qualified or licensed could result in a Material Adverse Effect on LABN or LA Bank.

6.2. Execution and Performance of Agreement. LABN has all requisite corporate power and authority to execute and deliver this Agreement and to perform its respective terms.

6.3. Absence of Violations.

(a) Neither LABN nor LA Bank is (i) in violation of its respective charter documents or bylaws, (ii) in violation of any applicable federal, state, or local law or ordinance or any order, rule, or regulation of any federal, state, local, or other governmental agency or body, or (iii) in violation of or in default with respect to any order, writ, injunction, or decree of any court, or any order, license, regulation, or demand of any governmental agency, except, in the case of (ii) or (iii), for such violations or defaults which in the aggregate could not reasonably be expected to have a Material Adverse Effect on LABN or LA Bank; and neither LABN nor LA Bank has received any claim or notice of violation with respect thereto;

(b) neither LABN nor LA Bank nor any member of the management of either of them is a party to any assistance agreement, supervisory agreement, memorandum of understanding, consent order, cease and desist order or condition of any regulatory order or decree with or by the Board of Governors, the Federal Reserve Bank of Philadelphia, the Federal Deposit Insurance Corporation (the "FDIC"), the SEC, the Department, any other banking or securities authority of the United States or the Commonwealth of Pennsylvania, or any other regulatory agency that relates to the conduct of the business of LABN or LA Bank or any of their subsidiaries or their assets; and except as previously disclosed to NBTB in writing, no such agreement, memorandum, order, condition, or decree is pending or threatened;

(c) LA Bank has established policies and procedures to provide reasonable assurance of compliance in a safe and sound manner with the federal banking, credit, housing, consumer protection, and civil rights laws and the regulations adopted under each of those laws, so that transactions be executed and assets be maintained in accordance with such laws and regulations; and the policies and practices of LA Bank with respect to all such laws and regulations reasonably limit noncompliance and detect and report noncompliance to its management; and

(d) LA Bank has established a CRA policy which provides for goals and objectives

consistent with CRA and for procedures whereby all significant CRA-related activity is documented; and LA Bank has officially designated a CRA officer who reports directly to the board of directors and is responsible for the CRA program of LA Bank.

6.4. Compliance with Agreements. Neither LABN nor LA Bank is in violation of any term of any security agreement, mortgage, indenture, or any other contract, agreement, instrument, lease, or certificate, except for such violations which in the aggregate could not reasonably be expected to have a Material Adverse Effect on LABN or LA Bank.

6.5. Binding Obligations. Subject to the approval of its shareholders, this Agreement constitutes valid, legal, and binding obligations of LABN, enforceable against it in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium or similar law, or by general principles of equity. The execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by the board of directors of LABN.

6.6. Absence of Default; Due Authorization.

(a) None of the execution or the delivery of this Agreement, the consummation of the transactions contemplated thereby, or the compliance with or fulfillment of the terms thereof will conflict with, or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under the organizational documents or bylaws of LABN or LA Bank or any subsidiary of either of them. Such execution, consummation, and fulfillment will not (i) conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a violation, conflict, or default under, or, except as set forth on Schedule 6.6 hereof, give rise to any right of termination, cancellation, or acceleration with respect to, or result in the creation of any lien, charge, or encumbrance upon, any property or assets of LABN or LA Bank or any subsidiary of either of them pursuant to any agreement or instrument under which LABN or LA Bank or any such subsidiary is obligated or by which any of its properties or assets may be bound, including without limitation any lease, contract, mortgage, promissory note, deed of trust, loan, credit arrangement, or other commitment or arrangement of LABN or LA Bank or any subsidiary of either of them in respect of which it is an obligor, except for such conflicts, breaches, violations, defaults, rights of termination, cancellation, or acceleration, or results which in the aggregate could not reasonably be expected to have a Material Adverse Effect on LABN or LA Bank; (ii) if the Merger is approved by the Board of Governors under the Bank Holding Company Act of 1956, as amended (the "BHC Act"), violate any law, statute, rule, or regulation of any government or agency to which LABN or LA Bank or any subsidiary of either of them is subject and which is material to its operations; or (iii) violate any judgment, order, writ, injunction, decree, or ruling to which LABN or LA Bank or any subsidiary of either of them or any of the properties or assets of any of them is subject or bound. None of the execution or delivery of this Agreement, the consummation of the transactions contemplated hereby, or the compliance with or fulfillment of the terms hereof will require any authorization, consent, approval, or exemption by any person which has not been obtained, or any notice or filing which has not been given or done, other than approval of the transactions contemplated by this Agreement by, notices to, or filings with by the Board of Governors, the Securities and Exchange Commission (the "SEC"), state securities commissions, the Department,

the Secretary of State of the State of Delaware, and the Secretary of State of the Commonwealth of Pennsylvania.

(b) Except for approval of this Agreement by the affirmative vote of the holders of at least 66 2/3 percent of the outstanding shares of LABN Common Stock, no other corporate proceedings on the part of LABN are necessary to approve or authorize this Agreement, the Merger, the Stock Option Agreement, the issuance of the stock options contemplated by the Stock Option Agreement, the subsequent exercise of the stock options thereby issued, or the other transactions contemplated by this Agreement and the Stock Option Agreement or the carrying out of the transactions contemplated hereby or thereby.

(c) The Board of Directors of LABN has taken all necessary action so that the provisions of sections 2561 et seq. of the BCL (and any applicable provisions of the takeover laws of any other state) and any comparable provisions of LABN's articles of incorporation do not and will not apply to this Agreement, the Merger, the Stock Option Agreement, or the transactions contemplated hereby.

(d) LABN has not adopted any shareholder rights plan, "poison pill" or similar plan, or any other plan which could result in the grant of any rights to any person, or which could enable or require any rights to be exercised, distributed or triggered, in the event of the execution, delivery, or announcement of this Agreement or the Stock Option Agreement, or in the event of the consummation of the Merger or any of the transactions contemplated by this Agreement or the Stock Option Agreement.

6.7. Compliance with BHC Act; Certain Banking Regulatory Matters.

(a) LABN is duly registered as a bank holding company under the BHC Act. All of the activities and investments of LABN conform to the requirements applicable generally to bank holding companies under the BHC Act and the regulations of the Board of Governors adopted thereunder.

(b) No corporation or other entity, other than LABN, is registered or is required to be registered as a bank holding company under the BHC Act by virtue of its control over LA Bank or over any company that directly or indirectly has control over LA Bank.

(c) Each of the activities engaged in by LABN and its direct and indirect subsidiaries has been determined by regulation of the Board of Governors to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

(d) The capital ratios of each of LABN and LA Bank comply fully with all terms of all currently outstanding supervisory and regulatory requirements and with the conditions of all regulatory orders and decrees.

6.8. Subsidiaries.

(a) Other than LA Bank, which is a direct, wholly-owned subsidiary of LABN, LA Lease, Inc.

("LALI") and Ariel Financial Services, Inc. ("AFSI"), each of which is a direct, wholly-owned subsidiary of LA Bank, and Premier Realty Settlement Services ("Premier"), a Pennsylvania limited partnership currently in organization in which AFSI will purchase a noncontrolling, 50-percent limited partnership interest in exchange for an initial capital contribution of $5,000, LABN does not have any direct or indirect subsidiaries and does not directly or indirectly own, control, or hold with the power to vote any shares of the capital stock of any company (except shares held by LA Bank for the account of others in a fiduciary or custodial capacity in the ordinary course of its business and shares of the Federal Reserve Bank of Philadelphia and the Federal Home Loan Bank of Pittsburgh). There are no outstanding subscriptions, options, warrants, convertible securities, calls, commitments, or agreements calling for or requiring the issuance, transfer, sale, or other disposition of any shares of the capital stock of LA Bank, LALI, or AFSI, or calling for or requiring the issuance of any securities or rights convertible into or exchangeable for shares of capital stock of LA Bank, LALI, or AFSI. There are no other direct or indirect subsidiaries of LABN which are required to be consolidated or accounted for on the equity method in the consolidated financial statements of LABN or the financial statements of LA Bank prepared in accordance with generally accepted accounting principles.

(b) Except as specified in the previous subsection, neither LABN nor LA Bank has a direct or indirect equity or ownership interest which represents 5 percent or more of the aggregate equity or ownership interest of any entity (including, without limitation, corporations, partnerships, and joint ventures).

(c) Each of LALI and AFSI is a corporation which is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own and operate its properties and assets, to lease properties used in its business, and to carry on its business as now conducted. AFSI is duly registered as a broker-dealer under each federal or state securities or "blue sky" law, if any, under which registration is necessary for it to conduct its businesses as presently conducted. AFSI is duly registered or licensed under each state insurance law under which registration or licensure is necessary for it to conduct its businesses as presently conducted. Each of LALI and AFSI owns or possesses in the operation of its business all other franchises, licenses, permits, branch certificates, consents, approvals, waivers, and other authorizations, governmental or otherwise, which are necessary for it to conduct its business as now conducted, except for those where the failure of such ownership or possession would not have a Material Adverse Effect on LALI or AFSI. Each of LALI and AFSI is duly qualified and licensed to do business and is in good standing in every jurisdiction with respect to which the failure to be so qualified or licensed could result in a Material Adverse Effect on LALI or AFSI. Each of LALI and AFSI is not (i) in violation of its charter documents or bylaws, (ii) in violation of any applicable federal, state, or local law or ordinance or any order, rule, or regulation of any federal, state, local, or other governmental agency or body, or (iii) in violation of or in default with respect to any order, writ, injunction, or decree of any court, or any order, license, regulation, or demand of any governmental agency, except, in the case of (ii) or (iii), for such violations or defaults which in the aggregate could not reasonably be expected to have a Material Adverse Effect on LABN or LA Bank; and none of LABN, LA Bank, LALI, and AFSI has received any claim or notice of violation with respect thereto.

(d) When it commences business, Premier (i) will be a limited partnership duly organized,

validly existing, and in good standing under the laws of the Commonwealth of Pennsylvania and will have all requisite power and authority to own and operate its properties and assets, to lease properties used in its business, and to carry on its business as to be conducted, (ii) will be duly registered or licensed under each state insurance law, if any, under which registration or licensure will be necessary for it to conduct its businesses as to be conducted, (iii) will own or possess in the operation of its business all other franchises, licenses, permits, branch certificates, consents, approvals, waivers, and other authorizations, governmental or otherwise, which will be necessary for it to conduct its business as to be conducted, except for those where the failure of such ownership or possession would not have a Material Adverse Effect on Premier, (iv) will be duly qualified and licensed to do business and be in good standing in every jurisdiction with respect to which the failure to be so qualified or licensed could result in a Material Adverse Effect on Premier, (v) will not be in violation of its organizational documents or bylaws, and (vi) will not be in violation of any applicable federal, state, or local law or ordinance or any order, rule, or regulation of any federal, state, local, or other governmental agency or body.

6.9. Capital Structure.

(a) The authorized capital stock of LABN consists of (i) 1,000,000 shares of preferred stock, par value $1.25 per share ("LABN Preferred Stock"), of which, as of the date of this Agreement, no shares are issued or outstanding, and (ii) 10,000,000 shares of LABN Common Stock, of which, as of the date of this Agreement, 4,850,753 shares have been duly issued and are validly outstanding, fully paid, and nonassessable, and held by approximately 1,400 shareholders of record. The aforementioned shares of LABN Preferred Stock and LABN Common Stock are the only voting securities of LABN authorized, issued, or outstanding as of such date; and except as set forth on Schedule 6.9 hereof, there are no outstanding subscriptions, options, warrants, convertible securities, calls, commitments, or agreements calling for or requiring the issuance, transfer, sale, or other disposition of any shares of the capital stock of LABN, or calling for or requiring the issuance of any securities or rights convertible into or exchangeable for shares of capital stock of LABN. No shares of LABN Preferred Stock or LABN Common Stock are held as treasury shares. None of the LABN Common Stock is subject to any restrictions upon the transfer thereof under the terms of the articles of incorporation or bylaws of LABN.

(b) Schedule 6.9 hereof lists all options to purchase LABN securities currently outstanding and, for each such option, the date of issuance, date of exercisability, exercise price, type of security for which exercisable, and date of expiration. Schedule 6.9 hereof further lists all shares of LABN Preferred Stock and LABN Common Stock reserved for issuance pursuant to stock option plans, agreements, or arrangements but not yet issued and all options upon shares of LABN Preferred Stock and LABN Common Stock designated or made available for grant but not yet granted.

(c) The authorized capital stock of LA Bank consists of 10,000,000 shares of common stock, $0.21 par value (the "LA Bank Common Stock"), of which, as of the date of this Agreement, 4,850,753 shares have been duly issued and are validly outstanding, fully paid, and nonassessable, and all of which are held of record and beneficially by LABN directly, free and clear of any adverse claims. The aforementioned shares of LA Bank Common Stock are the only voting securities of LA Bank

authorized, issued, or outstanding as of such date. None of the LA Bank Common Stock is subject to any restrictions upon the transfer thereof under the terms of the corporate charter or bylaws of LA Bank or under the terms of any agreement to which LA Bank is a party or under which it is bound.

(d) None of the shares of LABN Common Stock or LA Bank Common Stock has been issued in violation of the preemptive rights of any shareholder.

(e) As of the date hereof, to the best of the knowledge of LABN, and except for this Agreement, there are no shareholder agreements, or other agreements, understandings, or commitments relating to the right of any holder or beneficial owner of more than 1 percent of the issued and outstanding shares of any class of the capital stock of either LABN or LA Bank to vote or to dispose of his, her or its shares of capital stock of that entity.

(f) The authorized capital stock of LALI consists of 100,000 shares of common stock, $5.00 par value (the "LALI Common Stock"), of which, as of the date of this Agreement, 2,000 shares have been duly issued and are validly outstanding, fully paid, and nonassessable, and all of which are held of record and beneficially by LA Bank directly, free and clear of any adverse claims. The aforementioned shares of LALI Common Stock are the only voting securities of LALI authorized, issued, or outstanding as of such date. None of the LALI Common Stock is subject to any restrictions upon the transfer thereof under the terms of the corporate charter or bylaws of LALI or under the terms of any agreement to which LALI is a party or under which it is bound.

(g) The authorized capital stock of AFSI consists of 10,000 shares of common stock, no par value (the "AFSI Common Stock"), of which, as of the date of this Agreement, 100 shares have been duly issued and are validly outstanding, fully paid, and nonassessable, and all of which are held of record and beneficially by LA Bank directly, free and clear of any adverse claims. The aforementioned shares of AFSI Common Stock are the only voting securities of AFSI authorized, issued, or outstanding as of such date. None of the AFSI Common Stock is subject to any restrictions upon the transfer thereof under the terms of the corporate charter or bylaws of AFSI or under the terms of any agreement to which AFSI is a party or under which it is bound.

6.10. Articles of Incorporation, Bylaws, and Minute Books. The copies of the certificate or articles of incorporation and all amendments thereto and of the bylaws, as amended, of LABN, LA Bank, LALI, and AFSI that have been provided to NBTB are true, correct, and complete copies thereof. The copy of the limited partnership agreement of Premier that has been provided to NBTB is a true and correct copy thereof. The minute books of LABN, LA Bank, LALI, and AFSI that have been made available to NBTB contain accurate minutes of all meetings and accurate consents in lieu of meetings of the board of directors (and any committee thereof) and of the shareholders of LABN, LA Bank, LALI, and AFSI since their respective inceptions. These minute books accurately reflect all transactions referred to in such minutes and consents in lieu of meetings and disclose all material corporate actions of the shareholders and boards of directors of LABN, LA Bank, LALI, and AFSI and all committees thereof. Except as reflected in such minute books, there are no minutes of meetings or consents in lieu of meetings of the board of directors (or any committee thereof) or of shareholders of LABN, LA Bank, LALI, or AFSI.

6.11. Books and Records. The books and records of each of LABN, LA Bank, LALI, and AFSI fairly reflect the transactions to which it is a party or by which its properties are subject or bound. Such books and records have been properly kept and maintained and are in compliance in all material respects with all applicable accounting and legal requirements. Each of LABN, LA Bank, LALI, and AFSI follows generally accepted accounting principles applied on a consistent basis in the preparation and maintenance of its books of account and financial statements.

6.12. Regulatory Approvals and Filings, Contracts, Commitments, etc. LABN has made available to NBTB:

(a) All regulatory approvals received since January 1, 1992, of LABN and LA Bank relating to all bank and nonbank acquisitions or the establishment of de novo operations;

(b) All employment contracts, election contracts, retention contracts, deferred compensation, non-competition, bonus, stock option, profit-sharing, pension, retirement, consultation after retirement, incentive, insurance arrangements or plans (including medical, disability, group life or other insurance plans), and any other remuneration or fringe benefit arrangements applicable to employees, officers, or directors of LABN or LA Bank, accompanied by any agreements, including trust agreements, embodying such contracts, plans, or arrangements, and all employee manuals and memoranda relating to employment and benefit policies and practices of any nature whatsoever (whether or not distributed to employees or any of them), and any actuarial reports and audits relating to such plans;

(c) All material contracts, agreements, leases, mortgages, and commitments to which LABN or LA Bank is a party or may be bound; or, if any of the same be oral, true, accurate, and complete written summaries of all such oral contracts, agreements, leases, mortgages, and commitments;

(d) All contracts, agreements, leases, mortgages, and commitments, whether or not material, to which LABN or LA Bank is a party or may be bound and which require the consent or approval of third parties to the execution and delivery of this Agreement or to the consummation or performance of any of the transactions contemplated thereby or, if any of the same be oral, true, accurate, and complete written summaries of all such oral contracts, agreements, leases, mortgages, and commitments;

(e) All deeds, leases, contracts, agreements, mortgages, and commitments, whether or not material, to which LABN or LA Bank is a party or may be bound and which relate to land, buildings, fixtures, or other real property upon or within which LABN or LA Bank operates its businesses or is authorized to operate its businesses, or with respect to which LABN or LA Bank has any application pending for authorization to operate its businesses;

(f) Any pending application, including any documents or materials related thereto, which has been filed by LABN or LA Bank with any federal or state regulatory agency with respect to the establishment of a new office or the acquisition or establishment of any additional banking or nonbanking subsidiary; and

(g) All federal, state, and local tax returns, including any amended returns, filed by LABN or LA Bank for the years 1995 through 1997, a copy of the calculation of the 1998 tax provision made by LABN for the year 1998 as recorded on its books and records, and a copy of all substantive correspondence or other documents with respect to any examination that has not yet been resolved, a copy of the most recent examination from each state or local tax agency if any, for each of LABN and LA Bank, and a copy of all substantive correspondence or other documents with respect to any examination that has not yet been resolved, and all tax rulings, closing agreements, settlement agreements, or similar documents with respect to LABN or LA Bank received from or entered into with the Internal Revenue Service (the "IRS") or any other taxing authority since January 1, 1989 or that would have continuing effect after the Effective Time.

6.13. Financial Statements. LABN has furnished to NBTB its consolidated audited statement of condition as of each of December 31, 1996, December 31, 1997, and December 31, 1998, and its related audited consolidated statement of income, consolidated statement of cash flows, and consolidated statement of changes in stockholders' equity for each of the periods then ended, and the notes thereto, and its consolidated unaudited statement of condition as of June 30, 1999 and its related unaudited consolidated statement of income, consolidated statement of cash flows, and consolidated statement of changes in stockholders' equity for the period then ended, and the notes thereto, each as filed with the SEC (collectively, the "LABN Financial Statements"). All of the LABN Financial Statements, including the related notes, (a) except as indicated in the notes thereto, were prepared in accordance with generally accepted accounting principles consistently applied in all material respects (subject, in the case of unaudited statements, to recurring audit adjustments normal in nature and amount), (b) are in accordance with the books and records of LABN and LA Bank, (c) fairly reflect the consolidated financial position of LABN as of such dates, and the consolidated results of operations of LABN for the periods ended on such dates, and do not fail to disclose any material extraordinary or out-of-period items, and (d) reflect, in accordance with generally accepted accounting principles consistently applied in all material respects, adequate provision for, or reserves against, the consolidated loan losses of LABN as of such dates.

6.14. Call Reports; Bank Holding Company Reports.

(a) LA Bank has made available to NBTB its FFIEC Consolidated Reports of Condition and Income ("Call Reports") for the calendar quarter dated March 31, 1996 and each calendar quarter thereafter. All of such Call Reports, including the related schedules and memorandum items, were prepared in accordance with generally accepted accounting principles consistently applied in all material respects or, to the extent different from generally accepted accounting principles, accounting principles mandated by the applicable instructions to such Call Reports.

(b) No adjustments are required to be made to the equity capital account of LA Bank as reported on any of the Call Reports referred to in Subsection 6.14(a) hereof, in any material amount, in order to conform such equity capital account to equity capital as would be determined in accordance with generally accepted accounting principles as of such date.

(c) LABN has furnished to NBTB its annual report on Form FR Y-6 as filed with the Board

of Governors as of December 31, 1998 and all amendments and periodic and current reports filed with the Board of Governors under the BHC Act subsequent to December 31, 1998.

6.15. Absence of Undisclosed Liabilities. At June 30, 1999, neither LABN nor LA Bank had any obligation or liability of any nature (whether absolute, accrued, contingent, or otherwise, and whether due or to become due) which was material, or which when combined with all similar obligations or liabilities would have been material, to LABN, except (a) as disclosed in the LABN Financial Statements, or (b) as set forth on Schedule 6.15 hereof, or (c) for unfunded loan commitments made by LABN or LA Bank in the ordinary course of their business consistent with past practice. The amounts set up as current liabilities for taxes in the LABN Financial Statements are sufficient for the payment of all federal, state, local and foreign income, payroll, withholding, excise, sales, use, personal property, use and occupancy, business and occupation, mercantile, real estate, gross receipts, license, employment, severance, stamp, premium, windfall profits, social security (or similar unemployment), disability, transfer, registration, value added, alternative, or add-on minimum, estimated, or capital stock and franchise tax and other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not ("Tax" or "Taxes") accrued in accordance with generally accepted accounting principles and unpaid at June 30, 1999. Since June 30, 1999, neither LABN nor LA Bank has incurred or paid any obligation or liability that would be material (on a consolidated basis) to LABN, except (x) for obligations incurred or paid in connection with transactions by it in the ordinary course of its business consistent with past practices, or (y) as set forth on Schedule 6.15 hereof, or (z) as expressly contemplated herein.

6.16. Absence of Certain Developments. Since June 30, 1999, except as set forth on Schedule 6.16 hereof, there has been (a) no Material Adverse Effect with respect to LABN and LA Bank, (b) no material deterioration in the quality of the consolidated loan portfolio of LABN, and no material increase in the consolidated level of nonperforming assets or non-accrual loans at LABN or in the level of its consolidated provision for credit losses or its consolidated reserve for credit losses; (c) no declaration, setting aside, or payment by LABN or LA Bank of any regular dividend, special dividend, or other distribution with respect to any class of capital stock of LABN or LA Bank, other than customary cash dividends paid by LABN whose amounts have not exceeded $0.1025 per calendar quarter and the intervals between which dividends have not been more frequent than past practice, and other than customary cash dividends paid by LA Bank whose amounts have not exceeded past practice and the intervals between which dividends have not been more frequent than past practice; (d) no repurchase by LABN of any of its capital stock; (e) no material loss, destruction, or damage to any material property of LABN or LA Bank, which loss, destruction, or damage is not covered by insurance; and (f) no material acquisition or disposition of any asset, nor any material contract outside the ordinary course of business entered into by LABN or LA Bank nor any substantial amendment or termination of any material contract outside the ordinary course of business to which LABN or LA Bank is a party, nor any other transaction by LABN or LA Bank involving an amount in excess of $50,000 other than for fair value in the ordinary course of its business. Since June 30, 1999, except as set forth on Schedule 6.16 hereof, (x) each of LABN and LA Bank has conducted its business only in the ordinary course of such business and consistent with past practice; (y) LABN, on a consolidated basis, has maintained the quality of its loan portfolio and that of each of its major components at approximately the same level as existed at June 30, 1999; and (z) LABN, on a consolidated basis, has administered

its investment portfolio pursuant to essentially the same policies and procedures as existed during 1997 and 1998 and the first six months of 1999, and has taken no action to lengthen the average maturity of the investment portfolio, or of any significant category thereof, to any material extent.

6.17. Reserve for Credit Losses. The most recent of the LABN Financial Statements reflect a consolidated reserve for credit losses that is adequate in accordance with generally accepted accounting principles to absorb reasonably anticipated losses in the consolidated loan and lease portfolios of LABN, in view of the size and character of such portfolios, current economic conditions, and other pertinent factors. Management reevaluates the adequacy of such reserve quarterly based on portfolio performance, current economic conditions, and other factors.

6.18. Tax Matters.

(a) Except as set forth on Schedule 6.18 hereof, all Tax returns and reports required to be filed by or on behalf of LABN or LA Bank have been timely filed with the appropriate governmental agencies in all jurisdictions in which such returns and reports are required to be filed, or requests for extensions have been timely filed, granted, and have not expired for periods ending on or before December 31, 1998, and all returns filed are complete and accurate and properly reflect its Taxes for the periods covered thereby. All Taxes shown or required to be shown on filed returns have been paid, except for any not yet due and payable. As of the date hereof, there is no audit examination, deficiency, or refund litigation or tax claim or any notice of assessment or proposed assessment by the IRS or any other taxing authority, or any other matter in controversy with respect to any Taxes that might result in a determination adverse to LABN or LA Bank, except as reserved against in the LABN Financial Statements. All Taxes due with respect to completed and settled examinations or concluded litigation have been properly accrued or paid.

(b) Except as set forth on Schedule 6.18 hereof, neither LABN nor LA Bank has executed an extension or waiver of any statute of limitations on the assessment or collection of any Tax due that is currently in effect.

(c) To the extent any Taxes are due from, but have not yet been paid by, LABN or LA Bank for the period or periods beginning January 1, 1999 or thereafter through and including the Effective Time, adequate provision on an estimated basis has been made for the payment of such taxes by establishment of appropriate tax liability accounts on the monthly financial statements of LABN.

(d) Deferred Taxes of LABN and LA Bank have been provided for in accordance with generally accepted accounting principles as in effect on the date of this Agreement.

(e) The deductions of LA Bank for bad debts taken and the reserve of LA Bank for loan losses for federal income tax purposes at December 31, 1998, were not greater than the maximum amount permitted under the provisions of section 585 of the Code.

(f) Other than liens arising under the laws of the Commonwealth of Pennsylvania with respect to Taxes assessed and not yet due and payable, there are no tax liens on any of the properties

or assets of LABN or LA Bank.

(g) LABN and LA Bank (i) have timely filed all information returns or reports required to be filed with respect to Taxes, including but not limited to those required by sections 6041, 6041A, 6042, 6045, 6049, 6050H, and 6050J of the Code, (ii) have properly and timely provided to all persons, other than taxing authorities, all information reports or other documents (for example, Form 1099s, Form W-2s, and so forth) required to be provided to such persons under applicable law, and (iii) have exercised due diligence in obtaining certified taxpayer identification numbers as required under applicable law.

(h) The taxable year end of LABN for federal income tax purposes is, and since the inception of LABN has continuously been, December 31.

(i) LABN and LA Bank have in all material respects satisfied all federal, state, local, and foreign withholding tax requirements including but not limited to income, social security, and employment tax withholding.

(j) Neither LABN nor LA Bank (i) is, or has been, a member of a group filing a consolidated, combined, or unitary tax return, other than a group the common parent of which is or was LABN, or (ii) has any liability for the Taxes of any person (other than LABN and LA Bank) under Treas. Reg. Section 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

6.19. Consolidated Net Worth. The consolidated net worth of LABN on the date of this Agreement, as determined in accordance with generally accepted accounting principles, is not less than the sum of (a) $35,079,000 and (b) the proceeds to LABN of the exercise of stock options to purchase shares of LABN Common Stock since June 30, 1999.

6.20. Examinations. To the extent consistent with law, LABN has heretofore disclosed to NBTB relevant information contained in the most recent safety-and-soundness, compliance, Community Reinvestment Act, and other Reports of Examination with respect to LABN issued by the Board of Governors and the most recent safety-and-soundness, compliance, Community Reinvestment Act, and other Reports of Examination with respect to LA Bank issued by the OCC. Such information so disclosed consists of all material information with respect to the financial, operational, and legal condition of the entity under examination which is included in such reports.

6.21. Reports. Since January 1, 1996, each of LABN, LA Bank, LALI, and AFSI has effected all registrations and filed all reports and statements, together with any amendments required to be made with respect thereto, which it was required to effect or file with (a) the Board of Governors, (b) the OCC, (c) the FDIC, (d) the United States Department of the Treasury, (e) the Department, (e) the Securities and Exchange Commission, and (f) any other governmental or regulatory authority or agency having jurisdiction over its operations. Each of such registrations, reports, and documents, including the financial statements, exhibits, and schedules thereto, does not contain any statement which, at the time and in the light of the circumstances under which it was made, is false or misleading with respect

to any material fact or which omits to state any material fact necessary in order to make the statements contained therein not false or misleading.

6.22. FIRA Compliance and Other Transactions with Affiliates. Except as set forth on Schedule 6.22 hereof, (a) none of the officers, directors, or beneficial holders of 5 percent or more of the common stock of LABN or LA Bank and no person "controlled" (as that term is defined in the Financial Institutions Regulatory and Interest Rate Control Act of 1978) by LABN or LA Bank (collectively, "Insiders") has any ongoing material transaction with LABN or LA Bank on the date of this Agreement; (b) no Insider has any ownership interest in any business, corporate or otherwise, which is a party to, or in any property which is the subject of, business arrangements or relationships of any kind with LABN or LA Bank not in the ordinary course of business; and (c) all other extensions of credit by LABN or LA Bank to any Insider have heretofore been disclosed in writing by LABN to NBTB.

6.23. SEC Registered Securities. Other than the LABN Common Stock, no equity or debt securities of LABN or LA Bank are registered or required to be registered under the Securities Act or the Securities Exchange Act of 1934, as amended (the "Exchange Act").

6.24. Legal Proceedings. Except as disclosed in the LABN Financial Statements or as set forth on Schedule 6.24 hereof, there is no claim, action, suit, arbitration, investigation, or other proceeding pending against LABN, LA Bank, LALI, or AFSI before any court, governmental agency, authority or commission, arbitrator, or "impartial mediator" or, to the best of the knowledge of LABN and LA Bank, threatened or contemplated against or affecting it or its property, assets, interests, or rights, or any basis therefor of which notice has been given, which, if adversely determined, would have a Material Adverse Effect on LABN or which otherwise could prevent, hinder, or delay consummation of the transactions contemplated by this Agreement.

6.25. Absence of Governmental Proceedings. Except as set forth on Schedule 6.25 hereof, none of LABN, LA Bank, LALI, AFSI, nor Premier is a party defendant or respondent to any pending legal, equitable, or other proceeding commenced by any governmental agency and, to the best of the knowledge of LABN and LA Bank, no such proceeding is threatened.

6.26. Federal Deposit Insurance.

(a) The deposits held by LA Bank are insured within statutory limits by the Bank Insurance Fund of the FDIC (the "BIF") pursuant to the provisions of the Federal Deposit Insurance Act, as amended (12 U.S.C. Section 1811 et seq.) (the "FDI Act"), and LA Bank has paid all assessments and filed all related reports and statements required under the FDI Act.

(b) LA Bank is a member of and pays insurance assessments to the BIF. None of the deposits of LA Bank are insured by the Savings Association Insurance Fund of the FDIC (the "SAIF"), and LA Bank pays no insurance assessments to the SAIF.

(c) LA Bank has paid all regular premiums and special assessments and filed all reports required of it under the FDI Act.

6.27. Other Insurance. Each of LABN and LA Bank carries insurance with reputable insurers, including blanket bond coverage, in such amounts as are reasonable to cover such risks as are customary in relation to the character and location of its properties and the nature of its businesses. All such policies of insurance are in full force and effect, and no notice of cancellation has been received. All premiums to date have been paid in full. Neither LABN nor LA Bank is in default with respect to any such policy which is material to it.

6.28. Labor Matters.

(a) Neither LABN nor LA Bank is a party to or bound by any collective bargaining contracts with respect to any employees of LABN or LA Bank. Since their respective inceptions there has not been, nor to the best of the knowledge of LABN and LA Bank was there or is there threatened, any strike, slowdown, picketing, or work stoppage by any union or other group of employees against LABN or LA Bank or any of its premises, or any other labor trouble or other occurrence, event, or condition of a similar character. As of the date hereof, neither LABN nor LA Bank is aware of any attempts to organize a collective bargaining unit to represent any of its employee groups.

(b) As of the date hereof, each of LABN and LA Bank is, to the best of its knowledge, in compliance in all material respects with all federal and state laws, regulations, and orders respecting employment and employment practices (including Title VII of the Civil Rights Act of 1964), terms and conditions of employment, and wages and hours; and neither LABN nor LA Bank is engaged in any unfair labor practice. As of the date hereof, except as set forth on Schedule 6.28 hereof, no dispute exists between LABN or LA Bank and any of its employee groups regarding any employee organization, wages, hours, or conditions of employment which would materially interfere with the business or operations of LABN or LA Bank.

6.29. Employee Benefit Plans.

(a) Schedule 6.29 hereto contains a complete list of all pension, retirement, stock purchase, stock bonus, stock ownership, stock option, performance share, stock appreciation right, phantom stock, savings, and profit-sharing plans, all employment, deferred compensation, consulting, bonus, and collective bargaining agreements, and group insurance contracts and other incentive, welfare, life insurance, death or survivor's benefit, health insurance, sickness, disability, medical, surgical, hospital, severance, layoff and vacation plans, contracts, and arrangements and employee benefit plans and agreements, whether or not subject to ERISA, whether formal or informal, whether written or oral, whether legally binding or not, under which any current or former employee of LABN or LA Bank has any present right to future benefits or payments or under which LABN or LA Bank has any present or future liability (together, the "LABN Plans").

(b) As to each of the LABN Plans, LABN has made available to NBTB true, complete, current, and accurate copies of (i) the executed document or documents governing the plan, including the related trust agreement, insurance policy, and summary plan description (or other description in the case of an unwritten plan); (ii) the most recent and prior two years' actuarial and financial report prepared with respect to the plan if it constitutes a "qualified plan" under section 401(a) of the Code;

(iii) the Forms 5500 with all schedules for the last three years; (iv) all IRS rulings, determination letters, and any open requests for such rulings and letters that pertain to the plan; and (v) to the extent they pertain to the plan, attorneys' responses to auditors' requests for information for the last three years.

(c) Except for funding obligations and liabilities to the Pension Benefit Guaranty Corporation ("PBGC") pursuant to section 4007 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), all of which have been fully paid, neither LABN nor LA Bank has any tax, penalty, or liability with respect to any LABN Plan under ERISA, the Code, or any other applicable law, regulation, or ruling. As to each LABN Plan with respect to which a Form 5500 has been filed, no material change has occurred with respect to the matters covered by the most recent Form 5500 since the date thereof, other than regular accruals and contributions.

(d) Each LABN Plan intended to be a "qualified plan" under the Code complies with ERISA and applicable provisions of the Code. Neither LABN nor LA Bank has any material liability under any LABN Plan which is not reflected on the LABN Financial Statements (other than such normally unrecorded liabilities under the Plans for sick leave, holiday, education, bonus, vacation, incentive compensation, and anniversary awards, provided that such liabilities are not in any event material). There have not been any "prohibited transactions" with respect to any LABN Plan within the meaning of section 406 of ERISA or, where applicable, section 4975 of the Code, nor have there been any "reportable events" within section 4043 of ERISA nor any accumulated funding deficiency within section 302 of ERISA or section 402 of the Code. Neither LABN nor LA Bank nor any entity under common control under section 414(b), (c), or (m) of the Code has or had any obligation to contribute to any multiemployer plan. As to each LABN Plan that is subject to Title IV of ERISA, the value of assets of such LABN Plan is at least equal to the present value of the vested and unvested accrued benefits in such LABN Plan on a termination and ongoing basis, based upon applicable PBGC regulations and the actuarial methods and assumptions used in the most recent actuarial report. Neither LABN nor LA Bank has any obligation to provide retiree welfare benefits.

(e) No action, claim, or demand of any kind has been brought or threatened by any potential claimant or representative of such a claimant under any plan, contract, or arrangement referred to in subsection (a) of this section 6.29, other than routine claims for benefits in the ordinary course, where LABN or LA Bank may be either (i) liable directly on such action, claim, or demand; or (ii) obligated to indemnify any person, group of persons, or entity with respect to such action, claim, or demand which is not fully covered by insurance maintained with reputable, responsible financial insurers or by a self-insured plan.

6.30. Compensation. Schedule 6.30 hereto contains a true and correct statement of the names, relationships with LABN and LA Bank, present rates of compensation (whether in the form of salary, bonuses, commissions, or other supplemental compensation now or hereafter payable), and aggregate compensation for the fiscal year ended December 31, 1998 of each director, officer, or other employee of LABN and LA Bank whose aggregate compensation for the fiscal year ended December 31, 1998 exceeded $60,000 or whose aggregate compensation at present exceeds the rate of $60,000 per annum. Except as set forth on Schedule 6.30 hereto, since December 31, 1998 neither LABN nor LA Bank has changed the rate of compensation of any of its directors, officers, employees, agents, dealers, or

distributors, nor has any LABN Plan or program been instituted or amended to increase benefits thereunder. Except as set forth on Schedule 6.30 hereto, there is no contract, agreement, plan, arrangement, or understanding covering any person that, individually or collectively, could give rise to the payment of any amount that would not be deductible by LABN or LA Bank by reason of section 280G of the Code.

6.31. Fiduciary Activities. Each of LA Bank and AFSI is duly qualified and registered and in good standing in accordance with the laws of each jurisdiction in which it is required to so qualify or register as a result of or in connection with its fiduciary or custodial activities as conducted as of the date hereof. LA Bank is duly registered under and in compliance with all requirements of the Investment Advisers Act of 1940 as amended, or is exempt from registration thereunder and from compliance with the requirements thereof. Since January 1, 1998, each of LA Bank and AFSI has conducted, and currently is conducting, all fiduciary and custodial activities in all material respects in accordance with all applicable law.

6.32. Environmental Liability.

(a) Except as set forth on Schedule 6.32 hereof, neither LABN nor LA Bank is in violation of any judgment, decree, order, law, license, rule or regulation pertaining to environmental matters, including those arising under the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, the Federal Water Pollution Control Act, the Federal Clean Air Act, the Toxic Substances Control Act or any state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment ("Environmental Laws").

(b) Except as set forth on Schedule 6.32 hereof, neither LABN, LA Bank, nor, to the best of the knowledge of either of them, any borrower of LABN or of LA Bank has received notice that it has been identified by the United States Environmental Protection Agency as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B, nor has LABN or LA Bank or, to the best of the knowledge of either of them, any borrower of LABN or of LA Bank received any notification that any hazardous waste, as defined by 42 U.S.C. Section 6903(5), any hazardous substances, as defined by 42 U.S.C. Section 9601(14), any "pollutant or contaminant," as defined by 42 U.S.C. Section 9601(33), or any toxic substance, hazardous materials, oil, or other chemicals or substances regulated by any Environmental Laws ("Hazardous Substances") that it has disposed of has been found at any site at which a federal or state agency is conducting a remedial investigation or other action pursuant to any Environmental Law.

(c) No portion of any real property at any time owned or leased by LABN or LA Bank (collectively, the "LABN Real Estate") has been used by LABN or LA Bank for the handling, processing, storage or disposal of Hazardous Substances in a manner which violates any Environmental Laws and, to the best of the knowledge of LABN and LA Bank, no underground tank or other underground storage receptacle for Hazardous Substances is located on any of the LABN Real Estate. In the course of its activities, neither LABN nor LA Bank has generated or is generating any hazardous waste on any of the LABN Real Estate in a manner which violates any Environmental Laws. There has been no past

or present releasing, spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, disposing or dumping (collectively, a "Release") of Hazardous Substances by LABN or LA Bank on, upon, or into any of the LABN Real Estate. In addition, to the best of the knowledge of LABN and LA Bank, except as set forth on Schedule 6.32 hereof, there have been no such Releases on, upon, or into any real property in the vicinity of any of the LABN Real Estate that, through soil or groundwater contamination, may be located on any of such LABN Real Estate.

(d) With respect to any real property at any time held as collateral for any outstanding loan by LABN or LA Bank (collectively, the "Collateral Real Estate"), except as set forth on Schedule 6.32 hereof, neither LABN nor LA Bank has since January 1, 1988 received notice from any borrower thereof or third party, and has no knowledge, that such borrower has generated or is generating any hazardous waste on any of the Collateral Real Estate in a manner which violates any Environmental Laws or that there has been any Release of Hazardous Substances by such borrower on, upon, or into any of the Collateral Real Estate, or that there has been any Release on, upon, or into any real property in the vicinity of any of the Collateral Real Estate that, through soil or groundwater contamination, may be located on any of such Collateral Real Estate.

(e) As used in this section 6.32, each of the terms "LABN" and "LA Bank" includes the applicable entity and any partnership or joint venture in which it or any of its subsidiaries has an interest.

6.33. Intangible Property. To the best of the knowledge of LABN and LA Bank, each of LABN, LA Bank, LALI, and AFSI owns or possesses the right, free of the claims of any third party, to use all material trademarks, service marks, trade names, copyrights, patents, and licenses currently used by it in the conduct of its business. To the best of the knowledge of LABN and LA Bank, no material product or service offered and no material trademark, service mark, or similar right used by LABN, LA Bank, LALI, or AFSI infringes any rights of any other person, and, as of the date hereof, neither LABN nor LA Bank has received any written or oral notice of any claim of such infringement.

6.34. Real and Personal Property. Except for property and assets disposed of in the ordinary course of business, each of LABN, LA Bank, LALI, and AFSI possesses good and marketable title to and owns, free and clear of any mortgage, pledge, lien, charge, or other encumbrance or other third party interest of any nature whatsoever which would materially interfere with the business or operations of either LABN or LA Bank, its real and personal property and other assets, including without limitation those properties and assets reflected in the LABN Financial Statements as of June 30, 1999, or acquired by LABN, LA Bank, LALI, or AFSI subsequent to the date thereof. The leases pursuant to which LABN, LA Bank, LALI, and AFSI lease real or personal property as lessee are valid and effective in accordance with their respective terms; and there is not, under any such lease, any material existing default or any event which, with the giving of notice or lapse of time or otherwise, would constitute a material default. The real and personal property leased by either LABN, LA Bank, LALI, or AFSI as lessee is free from any adverse claim which would materially interfere with its business or operation taken as a whole. The material properties and equipment owned or leased as lessee by LABN, LA Bank, LALI, and AFSI are in normal operating condition, free from any known defects, except such minor defects as do not materially interfere with the continued use thereof in the conduct

of its normal operations.

6.35. Loans, Leases, and Discounts.

(a) To the best of the knowledge of LABN and LA Bank, each loan, lease, and discount reflected as an asset of LABN in the LABN Financial Statements as of June 30, 1999, or acquired since that date, is the legal, valid, and binding obligation of the obligor named therein, enforceable in accordance with its terms; and no loan, lease, or discount having an unpaid balance (principal and accrued interest) in excess of $50,000, and no outstanding letter of credit or commitment to extend credit having a notional amount in excess of $50,000, is subject to any asserted defense, offset, or counterclaim known to LABN or LA Bank.

(b) Except as set forth on Schedule 6.35 hereof, neither LABN nor LA Bank holds any loans or loan-participation interests purchased from, or participates in any loans originated by, any person other than LABN or LA Bank.

6.36. Material Contracts. None of LABN, LA Bank, LALI, nor AFSI nor any of the assets, businesses, or operations of any of them is as of the date hereof a party to, or is bound or affected by, or receives benefits under any material agreement, arrangement, or commitment not cancelable by it without penalty, other than (a) the agreements set forth on Schedule 6.36 hereof, and (b) agreements, arrangements, or commitments entered into in the ordinary course of its business consistent with past practice, or, if there has been no past practice, consistent with prudent banking practices.

6.37. Employment and Severance Arrangements. Schedule 6.37 hereof sets forth

(a) all employment contracts granted by LABN or LA Bank to any of its officers, directors, shareholders, consultants, or other management officials and any officer, director, shareholder, consultant, or management official of any affiliate providing for increased or accelerated compensation in the event of a change of control with respect to LABN or LA Bank or any other event affecting the ownership, control, or management of LABN or LA Bank; and

(b) all employment and severance contracts, agreements, and arrangements between LABN or LA Bank and any officer, director, consultant, or other management official of any of them.

6.38. Material Contract Defaults. All contracts, agreements, leases, mortgages, or commitments referred to in section 6.12(c) hereof are valid and in full force and effect on the date hereof. As of the date of this Agreement and as of the Effective Time, neither LABN nor LA Bank is or will be in default in any material respect under any material contract, agreement, commitment, arrangement, lease, insurance policy, or other instrument to which it is a party or by which its assets, business, or operations may be bound or affected or under which it or its assets, business, or operations receive benefits; and there has not occurred any event that with the lapse of time or the giving of notice or both would constitute such a default.

6.39. Capital Expenditures. Except as set forth on Schedule 6.39 hereof, none of LABN, LA Bank,

LALI, AFSI, nor Premier has any outstanding commitments to make capital expenditures which in the aggregate exceed $50,000.

6.40. Repurchase Agreements. With respect to all agreements pursuant to which LABN or LA Bank has purchased securities subject to an agreement to resell, it has a valid, perfected first lien or security interest in the securities securing the agreement, and the value of the collateral securing each such agreement equals or exceeds the amount of the debt secured by such collateral under such agreement.

6.41. Internal Controls; Year 2000 Problem.

(a) Each of LABN and LA Bank maintains internal controls to provide reasonable assurance to its board of directors and officers that its assets are safeguarded, its records and reports are prepared in compliance with all applicable legal and accounting requirements and with its internal policies and practices, and applicable federal, state, and local laws and regulations are complied with. These controls extend to the preparation of its financial statements to provide reasonable assurance that the statements are presented fairly in conformity with generally accepted accounting principles or, in the case of LA Bank and to the extent different from generally accepted accounting principles, accounting principles mandated by the OCC. The controls contain self-monitoring mechanisms, and appropriate actions are taken on significant deficiencies as they are identified.

(b) Each of LABN and LA Bank has reviewed the areas within its business and operations which could be adversely affected by, and has developed or is developing a program to address on a timely basis the risk that certain computer applications used by it or by any of its major suppliers may be unable to recognize and perform properly date-sensitive functions involving dates prior to and after December 31, 1999 (the "Year 2000 Problem"). The Year 2000 Problem will not result, and is not reasonably expected to result, in any Material Adverse Effect on LABN or LA Bank.

6.42. Dividends. Neither LABN nor LA Bank has paid any dividend to its shareholders which caused its regulatory capital to be less than the amount then required by applicable law, or which exceeded any other limitation on the payment of dividends imposed by law, agreement, or regulatory policy.

6.43. Brokers and Advisers. Except as set forth on Schedule 6.43 hereof, (a) there are no claims for brokerage commissions, finder's fees, or similar compensation arising out of or due to any act of LABN or LA Bank in connection with the transactions contemplated by this Agreement or based upon any agreement or arrangement made by or on behalf of LABN or LA Bank, and (b) neither LABN nor LA Bank has entered into any agreement or understanding with any party relating to financial advisory services provided or to be provided with respect to the transactions contemplated by this Agreement.

6.44. Interest Rate Risk Management Instruments.

(a) Schedule 6.44 contains a true, correct, and complete list of all interest-rate swaps, caps, floors, and options agreements and other interest-rate risk management arrangements to which LABN

or LA Bank is a party or by which any of its properties or assets may be bound.

(b) All interest rate swaps, caps, floors, and option agreements and other interest rate risk management arrangements to which LABN or LA Bank is a party or by which any of its properties or assets may be bound were entered into in the ordinary course of its business and, to the best of its knowledge, in accordance with prudent banking practice and applicable rules, regulations, and regulatory policies and with counterparties believed to be financially responsible at the time and are legal, valid, and binding obligations enforceable in accordance with their terms (except as may be limited by bankruptcy, insolvency, moratorium, reorganization, or similar laws affecting the rights of creditors generally and the availability of equitable remedies), and are in full force and effect. LABN and LA Bank have duly performed in all material respects of all of their respective obligations thereunder to the extent that such obligations to perform have accrued; and to the best of the knowledge of LABN and LA Bank, there are no breaches, violations or defaults or allegations or assertions of such by any party thereunder.

6.45. Accounting Treatment. LABN is aware of no reason why the Merger will fail to qualify for "pooling of interests" accounting treatment.

6.46. COBRA Matters. Schedule 6.46 sets forth the name, address, telephone number, social security number, and date of Qualifying Event (as defined in section 603 of ERISA) of each individuals covered under a group health plan that is subject to section 601 of ERISA and sponsored by LABN or LA Bank or any of their subsidiaries who have experienced a Qualifying Event since February 16, 1998, together with documentation of compliance by LABN or LA Bank, as the case may be, with applicable notice requirements.

6.47. Disclosure. No representation or warranty hereunder and no certificate, statement, or other document delivered by LABN or LA Bank hereunder or in connection with this Agreement or any of the transactions contemplated thereunder contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading. There is no fact known to LABN which reasonably might have a Material Adverse Effect on LABN or LA Bank which has not been disclosed in the LABN Financial Statements or a certificate or other document delivered to NBTB by LABN. All copies of documents delivered to NBTB by LABN under this Agreement are true, correct, and complete copies thereof and include all amendments, supplements, and modifications thereto and all waivers thereunder.

6.48. Regulatory and Other Approvals. As of the date hereof, LABN is not aware of any reason why all material consents and approvals shall not be procured from all regulatory agencies having jurisdiction over the transactions contemplated by this Agreement, as shall be necessary for (a) consummation of the transactions contemplated by this Agreement, and (b) the continuation after the Effective Time of the business of LABN and LA Bank as such business is carried on immediately prior to the Effective Time, free of any conditions or requirements which, in the reasonable opinion of LABN, could have a Material Adverse Effect on LABN. As of the date hereof, LABN is not aware of any reason why all material consents and approvals shall not be procured from all other persons and entities

whose consent or approval shall be necessary for (y) consummation of the transactions contemplated by this Agreement, or (z) the continuation after the Effective Time of the business of LABN and LA Bank as such business is carried on immediately prior to the Effective Time.

7. COVENANTS OF LABN.

LABN covenants and agrees as follows:

7.1. Rights of Access. In addition and not in limitation of any other rights of access provided to NBTB herein, until the Effective Time LABN and LA Bank will give to NBTB and to its representatives, including its certified public accountants, KPMG, full access during normal business hours to all of the property, documents, contracts, books, and records of LABN, LA Bank, LALI, AFSI, and Premier, and such information with respect to their business affairs and properties as NBTB from time to time may reasonably request.

7.2. Monthly and Quarterly Financial Statements; Minutes of Meetings and Other Materials.

(a) LABN and LA Bank will continue to prepare all of the monthly and quarterly financial statements and financial reports to regulatory authorities for the months and quarterly periods ending between July 1, 1999 and the Effective Time which it customarily prepared during the period between January 1, 1996 and June 30, 1999 and shall promptly provide NBTB with copies of all such financial statements and reports. All of such financial statements and reports, including the related notes, schedules, and memorandum items, will have been prepared in accordance with generally accepted accounting principles consistently applied in all material respects (except that Call Reports may be prepared in accordance with the official instructions applicable thereto at the time of filing).

(b) LABN and LA Bank shall promptly provide NBTB with (i) copies of all of its periodic reports to directors and to shareholders, whether or not such reports were prepared or distributed in connection with a meeting of the board of directors or a meeting of the shareholders, prepared or distributed between the date of this Agreement and the Effective Time, and (ii) complete copies of all minutes of meetings of its board of directors and shareholders which meetings take place between the date of this Agreement and the Effective Time, certified by the secretary or cashier or an assistant secretary or assistant cashier of LABN or LA Bank, as the case may be.

(c) From the date of this Agreement to the Effective Time, LABN shall, contemporaneously with its filing with the SEC of any periodic or current report pursuant to section 13 of the Exchange Act, deliver a copy of such report to NBTB.

7.3. Extraordinary Transactions. Without the prior written consent of NBTB, neither LABN nor LA Bank will, on or after the date of this Agreement: (a) subject to section 7.9, declare or pay any cash dividends or property dividends with respect to any class of its capital stock, with the exception of (i) customary periodic cash dividends paid by LABN to holders of its common stock in amounts not exceeding $0.1025 per calendar quarter and at intervals that are not shorter than past practice, (ii)

customary periodic special cash dividends typically declared by LABN in November and paid to holders of its common stock the following December, in amounts not exceeding $0.03 per year and at intervals that are not shorter than past practice, and (iii) customary cash dividends paid by LA Bank whose amounts have not exceeded past practice and at intervals that are not shorter than past practice; (b) declare or distribute any stock dividend, authorize a stock split, or authorize, issue or make any distribution of its capital stock or any other securities (except for issuances of LABN Common Stock upon exercise of stock options outstanding on the date of this Agreement), or grant any options to acquire such additional securities; (c) either (i) merge into, consolidate with, or sell or otherwise dispose of its assets to any other corporation or person, or enter into any other transaction or agree to effect any other transaction not in the ordinary course of its business except as explicitly contemplated herein, or (ii) engage in any discussions concerning such a possible transaction except as explicitly contemplated herein unless the board of directors of LABN, based upon the advice of Saul, Ewing, Remick & Saul LLP, determines in good faith that such action is required for the board of directors to comply with its fiduciary duties to stockholders imposed by law; (d) convert the charter or form of entity of LA Bank from that in existence on the date of this Agreement to any other charter or form of entity; (e) make any direct or indirect redemption, purchase, or other acquisition of any of its capital stock; (f) except in the ordinary course of its business or to accomplish the transactions contemplated by this Agreement, incur any liability or obligation, make any commitment or disbursement, acquire or dispose of any property or asset, make any contract or agreement, pay or become obligated to pay any legal, accounting, or miscellaneous other expense, or engage in any transaction; (g) other than in the ordinary course of business, subject any of its properties or assets to any lien, claim, charge, option, or encumbrance; (h) enter into or assume any one or more commitments to make capital expenditures, any of which individually exceeds $20,000 or which in the aggregate exceed $50,000; (i) except for increases in the ordinary course of business in accordance with past practices, which together with all other compensation rate increases do not exceed 4.5 percent per annum of the aggregate payroll as of June 30, 1999, and except as explicitly contemplated by this Agreement, increase the rate of compensation of any employee or enter into any agreement to increase the rate of compensation of any employee; (j) except as otherwise required by law, create or modify any pension or profit sharing plan, bonus, deferred compensation, death benefit, or retirement plan, or the level of benefits under any such plan, nor increase or decrease any severance or termination pay benefit or any other fringe benefit; (k) enter into any employment or personal services contract with any person or firm, including without limitation any contract, agreement, or arrangement described in section 6.37(a) hereof, except directly to facilitate the transactions contemplated by this Agreement; nor (l) purchase any loans or loan-participation interests from, or participate in any loans originated by, any person other than LABN or LA Bank.

7.4. Preservation of Business. Each of LABN and LA Bank will (a) carry on its business and that of LALI and AFSI and manage its assets and properties and those of LALI and AFSI diligently and substantially in the same manner as heretofore; (b) maintain the ratio of its loans to its deposits at approximately the same level as existed at June 30, 1999, as adjusted to allow for seasonal fluctuations of loans and deposits of a kind and amount experienced traditionally by it; (c) manage its investment portfolio in substantially the same manner and pursuant to substantially the same investment policies as in 1997 and 1998, and will take no action to change to any material extent the percentage which its investment portfolio bears to its total assets, or to lengthen to any material extent the average maturity

of its investment portfolio, or of any significant category thereof; (d) use commercially reasonable efforts to continue in effect its present insurance coverage on all properties, assets, business, and personnel; (e) use commercially reasonable efforts to preserve its business organization intact, to keep available its present employees, and to preserve its present relationships with customers and others having business dealings with it; (f) not do anything and not fail to do anything which will cause a breach of or default in any contract, agreement, commitment, or obligation to which it, LALI, or AFSI is a party or by which it, LALI, or AFSI may be bound; (g) conduct its affairs so that at the Effective Time none of its representations and warranties will be inaccurate, none of its covenants and agreements will be breached, and no condition in this Agreement will remain unfulfilled by reason of its actions or omissions; and (h) not amend its articles of incorporation or bylaws and not permit the amendment of the articles of incorporation or bylaws of LALI or AFSI.

7.5. Comfort Letter. At the time of the effectiveness of the Registration Statement, but prior to the mailing of the Joint Proxy Statement, and on the date of the Effective Time, LABN shall furnish NBTB with a letter from PricewaterhouseCoopers LLP, its independent auditors, in form and substance acceptable to NBTB, stating that (a) they are independent accountants with respect to LABN within the meaning of the Securities Act and the published rules and regulations thereunder, (b) in their opinion the consolidated financial statements of LABN included in the Registration Statement comply as to form in all material respects with the applicable accounting requirements of the Securities Act and the published rules and regulations thereunder, and (c) a reading of the latest available unaudited consolidated financial statements of LABN and unaudited financial statements of LA Bank and inquiries of certain officials of LABN and LA Bank responsible for financial and accounting matters as to transactions and events since the date of the most recent consolidated statement of condition included in their most recent audit report with respect to LABN did not cause them to believe that (i) such latest available unaudited consolidated financial statements of LABN are not stated on a basis consistent with that followed in LABN's audited consolidated financial statements; or (ii) except as disclosed in the letter, at a specified date not more than five business days prior to the date of such letter, there was any change in LABN's capital stock or any change in consolidated long-term debt or any decrease in the consolidated net assets of LABN or the consolidated allowance for loan and lease losses of LABN as compared with the respective amounts shown in the most recent LABN audited consolidated financial statements. The letter shall also cover such other matters pertaining to LABN's and LA Bank's financial data and statistical information included in the Registration Statement as may reasonably be requested by NBTB.

7.6. Affiliates' Agreements.

(a) LABN will furnish to NBTB (i) a list of all persons known to LABN who at the date of this Agreement and (ii) if different from the list required by section 7.6(a)(i), a list of all persons known to LABN who at the date of LABN's special meeting of shareholders to vote upon the transactions contemplated by this Agreement may be deemed to be "affiliates" of LABN within the meaning of Rule 145 under the Securities Act and for purposes of qualifying the Merger for "pooling of interests" accounting treatment.

(b) LABN will use commercially reasonable efforts to cause each such "affiliate" of LABN

to deliver to NBTB on or before the date of this Agreement (or, in the case of any person who becomes an "affiliate" of LABN after the date of this Agreement, not later than ten days after such person becomes an "affiliate" of LABN) an Affiliates Agreement.

7.7. Pooling Treatment.

(a) LABN will take no action that would prevent or impede the Merger from qualifying for "pooling of interests" accounting treatment or KPMG from delivering the Pooling Letters.

(b) LABN shall deliver to KPMG such certificates or representations as KPMG may reasonably request to enable it to deliver the Pooling Letters.

7.8. Shareholders' Meeting. LABN shall hold a meeting of its shareholders in accordance with the BCL as promptly as possible after the effectiveness of the Registration Statement, after at least twenty days' prior written notice thereof to the shareholders of LABN, to consider and vote upon the adoption of this Agreement. Subject to its fiduciary duty to shareholders, the board of directors of LABN shall approve this Agreement and recommend to its shareholders that it be adopted.

7.9. Dividend Coordination. The board of directors of LABN shall cause its regular quarterly dividend record dates and payment dates for LABN Common Stock to be the same as the regular quarterly dividend record dates and payment dates for NBTB Common Stock (in particular, by deferring the record date for LABN Common Stock by up to thirty days beginning in the quarter following the quarter in which this Agreement is executed), and LABN shall not thereafter change its regular dividend payment dates and record dates.

7.10. Inconsistent Activities.

(a) Subject to subsection (b) of this section 7.10, unless and until the Merger has been consummated or this Agreement has been terminated in accordance with its terms, neither LABN nor LA Bank will (a) solicit or encourage, directly or indirectly, any inquiries or proposals (each an "Alternative Proposal") to acquire more than 1 percent of the LABN Common Stock or any capital stock of LA Bank or any significant portion of the assets of either of them (whether by tender offer, merger, purchase of assets, or other transactions of any type) (each an "Alternative Transaction"); (b) afford any third party which may be considering an Alternative Proposal or Alternative Transaction access to its properties, books or records except as required by mandatory provisions of law; (c) enter into any discussions or negotiations for, or enter into any agreement or understanding which provides for, any Alternative Transaction, or (d) authorize or permit any of its directors, officers, employees or agents to do or permit any of the foregoing. If LABN or LA Bank becomes aware of any Alternative Proposal or of any other matter which could adversely affect this Agreement or the Merger, LABN and LA Bank shall immediately give notice thereof to NBTB.

(b) Nothing contained in subsection (a) of this section 7.10 shall prohibit the board of directors of LABN from furnishing information to or entering into discussions or negotiations with any person that makes an unsolicited bona fide Alternative Proposal if, and only to the extent that, (i) the

board of directors of the Company, based upon the advice of Saul, Ewing, Remick & Saul LLP, determines in good faith that such action is required for the board of directors to comply with its fiduciary duties to stockholders imposed by law, (ii) prior to furnishing such information to, or entering into discussions or negotiations with, such person, LABN provides written notice to NBTB to the effect that it is furnishing information to, or entering into discussions or negotiations with, such person, and (iii) LABN keeps NBTB informed of the status and all material information with respect to any such discussions or negotiations.

(c) Nothing in subsection (b) of this section 7.10 shall (i) permit LABN to terminate this Agreement (except as specifically provided in section 11.1 or 11.2 of this Agreement), (ii) permit LABN or LA Bank to enter into any agreement with respect to an Alternative Transaction for as long as this Agreement remains in effect (it being agreed that for as long as this Agreement remains in effect, LABN and LA Bank shall not enter into any agreement with any person that provides for, or in any way facilitates, an Alternative Transaction (other than a confidentiality agreement in customary form)), or (iii) affect any other obligation of LABN or LA Bank under this Agreement.

7.11. COBRA Obligations. For all individuals covered under a group health plan that is subject to section 601 of ERISA and sponsored by LABN or LA Bank or any of their subsidiaries, and who experience a Qualifying Event (as defined in section 603 of ERISA) within thirty days of the date of this Agreement, LABN or LA Bank, as the case may be, shall remain responsible for providing all notices and election forms necessary to comply with ERISA and the Code, and will take all steps necessary to implement elections pursuant to such notices.

7.12. Updated Schedules. Not less than fifteen business days prior to the Effective Time and as of the Effective Time, LABN will deliver to NBTB any updates to the schedules to its representations which may be required to disclose events or circumstances arising after the date hereof. Such schedules shall be updated only for the purpose of making the representations and warranties contained in this Agreement to which such part of such schedules relate true and correct in all material respects as of the date such schedule is updated, and the updated schedule shall not have the effect of making any representation or warranty contained in this Agreement true and correct in all material respects as of a date prior to the date of such updated schedule. For purposes of determining whether the condition set forth in section 4.1 to NBTB's obligations have been met, any such updated schedules delivered to NBTB shall be disregarded unless NBTB shall have agreed to accept any changes reflected in such updated schedules.

7.13. Subsequent Events. Until the Effective Time, LABN will immediately advise NBTB in a detailed written notice of any fact or occurrence or any pending or threatened occurrence of which it obtains knowledge and which (if existing and known at the date of the execution of this Agreement) would have been required to be set forth or disclosed in or pursuant to this Agreement which (if existing and known at any time prior to or at the Effective Time) would make the performance by LABN of a covenant contained in this Agreement impossible or make such performance materially more difficult than in the absence of such fact or occurrence, or which (if existing and known at the time of the Effective Time) would cause a condition to NBTB's obligations under this Agreement not to be fully satisfied.

8. REPRESENTATIONS AND WARRANTIES OF NBTB.

NBTB represents and warrants to LABN as follows:

8.1. Organization, Powers, and Qualification. NBTB is a corporation which is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own and operate its properties and assets, to lease properties used in its business, and to carry on its business as now conducted. NBTB owns or possesses in the operation of its business all franchises, licenses, permits, branch certificates, consents, approvals, waivers, and other authorizations, governmental or otherwise, which are necessary for it to conduct its business as now conducted, except for those where the failure of such ownership or possession would not have a Material Adverse Effect on NBTB. NBTB is duly qualified and licensed to do business and is in good standing in every jurisdiction with respect to which the failure to be so qualified or licensed could result in a Material Adverse Effect on NBTB.

8.2. Execution and Performance of Agreement. NBTB has all requisite corporate power and authority to execute and deliver this Agreement and to perform its respective terms.

8.3. Binding Obligations; Due Authorization. This Agreement constitutes the valid, legal, and binding obligations of NBTB enforceable against it in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, moratorium or similar law, or by general principles of equity. The execution, delivery, and performance of this Agreement and the transactions contemplated thereby have been duly and validly authorized by the board of directors of NBTB. No other corporate proceedings on its part are necessary to authorize this Agreement or the carrying out of the transactions contemplated hereby.

8.4. Absence of Default. None of the execution or the delivery of this Agreement, the consummation of the transactions contemplated hereby, or the compliance with or fulfillment of the terms hereof will conflict with, or result in a breach of any of the terms, conditions, or provisions of, or constitute a default under the organizational documents or bylaws of NBTB. None of such execution, consummation, or fulfillment will (a) conflict with, or result in a material breach of the terms, conditions, or provisions of, or constitute a material violation, conflict, or default under, or give rise to any right of termination, cancellation, or acceleration with respect to, or result in the creation of any lien, charge, or encumbrance upon, any of the property or assets of NBTB pursuant to any material agreement or instrument under which it is obligated or by which any of its properties or assets may be bound, including without limitation any material lease, contract, mortgage, promissory note, deed of trust, loan, credit arrangement or other commitment or arrangement of it in respect of which it is an obligor, or (b) if the Merger is approved by the Board of Governors under the BHC Act, and if the transactions contemplated by this Agreement are approved by the Department, violate any law, statute, rule, or regulation of any government or agency to which NBTB is subject and which is material to its operations, or (c) violate any judgment, order, writ, injunction, decree, or ruling to which it or any of its properties or assets is subject or bound. None of the execution or delivery of this Agreement, the consummation of the transactions contemplated hereby, or the compliance with or

fulfillment of the terms hereof will require any authorization, consent, approval, or exemption by any person which has not been obtained, or any notice or filing which has not been given or done, other than approval of the transactions contemplated by this Agreement by, notices to, or filings with by the Board of Governors, the SEC, state securities commissions, the Department, the Secretary of State of the State of Delaware, and the Secretary of State of the Commonwealth of Pennsylvania.

8.5. Capital Structure.

(a) The authorized capital stock of NBTB as of the date of this Agreement consists of (i) 2,500,000 shares of preferred stock, no par value, stated value $1.00 per share ("NBTB Preferred Stock"), of which, as of the date of this Agreement, no shares are issued or outstanding, and (ii) 12,500,000 shares of NBTB Common Stock, of which, as of the date of this Agreement, 12,391,351 shares have been duly issued and are validly outstanding and fully paid, and 624,438 additional shares are issued and held in the treasury of NBTB. The aforementioned shares of NBTB Preferred Stock and NBTB Common Stock are the only voting securities of NBTB authorized, issued, or outstanding as of such date.

(b) None of the shares of NBTB Common Stock has been issued in violation of the preemptive rights of any shareholder.

(c) As of the date hereof, to the best of the knowledge of NBTB, and except for this Agreement, there are no shareholder agreements, or other agreements, understandings, or commitments relating to the right of any holder or beneficial owner of more than 1 percent of the issued and outstanding shares of any class of the capital stock of NBTB to vote or to dispose of his, her or its shares of capital stock of NBTB.

8.6. Books and Records. The books and records of each of NBTB and NBT Bank fairly reflect the transactions to which it is a party or by which its properties are subject or bound. Such books and records have been properly kept and maintained and are in compliance in all material respects with all applicable accounting and legal requirements. Each of NBTB and NBT Bank follows generally accepted accounting principles applied on a consistent basis in the preparation and maintenance of its books of account and financial statements, including but not limited to the application of the accrual method of accounting for interest income on loans, leases, discounts, and investments, interest expense on deposits and all other liabilities, and all other items of income and expense. Each of NBTB and NBT Bank has made all accruals in amounts which accurately report income and expense in the proper periods in accordance with generally accepted accounting principles. Each of NBTB and NBT Bank has filed all material reports and returns required by any law or regulation to be filed by it.

8.7. Financial Statements. NBTB has furnished to LABN its consolidated audited statement of condition as of each of December 31, 1996, December 31, 1997, and December 31, 1998, and its related audited consolidated statement of income, consolidated statement of cash flows, and consolidated

statement of changes in stockholders' equity for each of the periods then ended, and the notes thereto, and its consolidated unaudited statement of condition as of June 30, 1999, and its related unaudited consolidated statement of income, consolidated statement of cash flows, and consolidated statement of changes in stockholders' equity for the period then ended, and the notes thereto, each as filed with the SEC (collectively, the "NBTB Financial Statements"). All of the NBTB Financial Statements, including the related notes, (a) except as indicated in the notes thereto, were prepared in accordance with generally accepted accounting principles consistently applied in all material respects (subject, in the case of unaudited statements, to recurring audit adjustments normal in nature and amount), and (b) are in accordance with the books and records of NBTB, (c) fairly reflect the consolidated financial position of NBTB as of such dates, and the consolidated results of operations of NBTB for the periods ended on such dates, and do not fail to disclose any material extraordinary or out-of-period items, and (d) reflect, in accordance with generally accepted accounting principles consistently applied in all material respects, adequate provision for, or reserves against, the consolidated loan losses of NBTB as of such dates.

8.8. Nasdaq Reporting. Trading of NBTB Common Stock is, as of the date of this Agreement, reported on the Nasdaq National Market.

8.9. Absence of Certain Developments. Since June 30, 1999, there has been (a) no Material Adverse Effect with respect to NBTB, and (b) no material deterioration in the quality of the loan portfolio of NBTB or of any major component thereof, and no material increase in the level of nonperforming assets or nonaccrual loans at NBTB or in the level of its provision for credit losses or its reserve for credit losses.

8.10. Brokers and Advisers. Other than with respect to McConnell, Budd & Downes, Inc., (a) there are no claims for brokerage commissions, finder's fees, or similar compensation arising out of or due to any act of NBTB in connection with the transactions contemplated by this Agreement or based upon any agreement or arrangement made by or on behalf of NBTB, and (b) NBTB has not entered into any agreement or understanding with any party relating to financial advisory services provided or to be provided with respect to the transactions contemplated by this Agreement.

8.11. Disclosure. No representation or warranty hereunder and no certificate, statement, or other document delivered by NBTB hereunder or in connection with this Agreement or any of the transactions contemplated thereunder contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading. There is no fact known to NBTB which might materially adversely affect its business, assets, liabilities, financial condition, results of operations, or prospects which has not been disclosed in the NBTB Financial Statements or a certificate or other document delivered by NBTB to LABN. Copies of all documents delivered to LABN by NBTB under this Agreement are true, correct, and complete copies thereof and include all amendments, supplements, and modifications thereto and all waivers thereunder.

8.12. Regulatory and Other Approvals. As of the date hereof, NBTB is not aware of any reason why all material consents and approvals shall not be procured from all regulatory agencies having jurisdiction over the transactions contemplated by this Agreement, as shall be necessary for (a) consummation of the transactions contemplated by this Agreement, and (b) the continuation after the Effective Time of the business of NBTB as such business is carried on immediately prior to the Effective Time,

free of any conditions or requirements which, in the reasonable opinion of NBTB, could have a Material Adverse Effect on NBTB. As of the date hereof, NBTB is not aware of any reason why all material consents and approvals shall not be procured from all other persons and entities whose consent or approval shall be necessary for (y) consummation of the transactions contemplated by this Agreement, or (z) the continuation after the Effective Time of the business of NBTB as such business is carried on immediately prior to the Effective Time.

9. COVENANTS OF NBTB.

NBTB covenants and agrees as follows:

9.1.Rights of Access. From the date hereof to the Effective Time, NBTB shall give to LABN and to its representatives, including its certified public accountants, PricewaterhouseCoopers LLP, full access during normal business hours to all of the property, documents, contracts, books, and records of NBTB, and such information with respect to its business affairs and properties as LABN from time to time may reasonably request.

9.2. Securities Reports. From the date hereof to the Effective Time, NBTB shall, contemporaneously with the filing with the SEC of any periodic or current report pursuant to section 13 of the Exchange Act, deliver a copy of such report to LABN.

9.3. Shareholders' Meeting. NBTB shall hold a meeting of its shareholders in accordance with the GCL as promptly as possible after the effectiveness of the Registration Statement, after at least twenty days' prior written notice thereof to the shareholders of NBTB, to consider and vote upon this Agreement. Subject to its fiduciary duty to shareholders, the board of directors of NBTB shall recommend to its shareholders that this Agreement be adopted.

9.4. Nasdaq Approval. NBTB shall use its commercially reasonable efforts to cause the shares of NBTB Common Stock to be issued in the Merger to be approved for inclusion on the Nasdaq National Market, subject to official notice of issuance, prior to the Effective Time.

9.5. Options. At or prior to the Effective Time, NBTB shall take all corporate action necessary to reserve for issuance a sufficient number of shares of NBTB Common Stock for delivery upon exercise of options to purchase LABN Common Stock assumed by it in accordance with section 1.9 hereof. NBTB shall use commercially reasonable efforts to maintain the effectiveness of the registration statement that pertains to the shares subject to such options (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding. NBTB shall at and after the Effective Time have reserved sufficient shares of NBTB Common Stock for issuance with respect to such options. NBTB shall also take any action required to be taken under any applicable state blue sky or securities laws in connection with the issuance of such shares.

9.6. Indemnification of Directors and Officers. Following the Effective Time NBTB will take no action to abrogate or diminish any right accorded under the articles of incorporation or by-laws of

LABN as they existed immediately prior to the Effective Time to any person who, on or prior to the Effective Time, was a director or officer of LABN to indemnification from or against losses, expenses, claims, demands, damages, liabilities, judgments, fines, penalties, costs, expenses (including without limitation reasonable attorneys fees) and amounts paid in settlement pertaining to or incurred in connection with any threatened or actual action, suit, claim, or proceeding (whether civil, criminal, administrative, arbitration, or investigative) arising out of events, matters, actions, or omissions occurring on or prior to the Effective Time. To the extent not provided by the foregoing, following the Effective Time and to the extent permitted by law, all rights to such indemnification accorded under the articles of incorporation and by-laws of LABN to any person who, on or prior to the Effective Time, was a director or officer of LABN shall survive the Effective Time and, following the Merger, to the extent permitted by law, NBTB will honor such obligations in accordance with their terms with respect to events, acts, or omissions occurring prior to the Effective Time.

9.7. Subsequent Events. Until the Effective Time, NBTB will immediately advise LABN in a detailed written notice of any fact or occurrence or any pending or threatened occurrence of which it obtains knowledge and which (if existing and known at the date of the execution of this Agreement) would have been required to be set forth or disclosed in or pursuant to this Agreement which (if existing and known at any time prior to or at the Effective Time) would make the performance by NBTB of a covenant contained in this Agreement impossible or make such performance materially more difficult than in the absence of such fact or occurrence, or which (if existing and known at the time of the Effective Time) would cause a condition to LABN's obligations under this Agreement not to be fully satisfied.

10. CLOSING.

10.1. Place and Time of Closing. Closing shall take place at the offices of NBTB, 52 South Broad Street, Norwich, New York, or such other place as the parties choose, commencing at 9:00 a.m., local time, on the date of the Effective Time, provided that all conditions precedent to the obligations of the parties hereto to close have then been met or waived.

10.2. Events To Take Place at Closing. At the Closing, the following actions will be taken:

(a) Such certificates and other documents as are required by this Agreement to be executed and delivered at or prior to the Effective Time and have not been so executed and delivered, and such other certificates and documents as are mutually deemed by the parties to be otherwise desirable for the effectuation of the Closing, will be so executed and delivered; and then

(b) the Merger and the issuance of shares incident thereto shall be effected; provided, however, that the administrative and ministerial aspects of the issuance of shares incident to the Merger will be settled as soon thereafter as shall be reasonable under the circumstances.

11. TERMINATION, DAMAGES FOR BREACH, WAIVER, AND AMENDMENT.

11.1. Termination by Reason of Lapse of Time. This Agreement may be terminated by any party on or after April 15, 2000, by instrument duly authorized and executed and delivered to the other parties, unless (a) the Effective Time shall have occurred on or before such date or (b) the failure of the Effective Time to have occurred on or before such date has been due to the failure of the party seeking to terminate this Agreement to perform or observe its covenants and agreements as set forth herein.

11.2. Grounds for Termination. This Agreement may be terminated by written notice of termination at any time before the Effective Time (whether before or after action by shareholders of LABN or NBTB):

(a) by mutual consent of the parties hereto;

(b) by NBTB, upon written notice to LABN given at any time (i) if any of the representations and warranties of LABN contained in section 6 hereof was materially incorrect when made, or (ii) in the event of a material breach or material failure by LABN of any covenant or agreement of LABN contained in this Agreement which has not been, or cannot be, cured within thirty days after written notice of such breach or failure is given to LABN, and which inaccuracy, breach, or failure, if continued to the Effective Time, would result in any condition set forth in section 4 hereof not being satisfied;

(c) by LABN, upon written notice to NBTB given at any time (i) if any of the representations and warranties of NBTB contained in section 8 hereof was materially incorrect when made, or (ii) in the event of a material breach or material failure by NBTB of any covenant or agreement of NBTB contained in this Agreement which has not been, or cannot be, cured within thirty days after written notice of such breach or failure is given to NBTB, and which inaccuracy, breach, or failure, if continued to the Effective Time, would result in any condition set forth in section 5 hereof not being satisfied or (iii) if the board of directors of LABN, based upon the advice of Saul, Ewing, Remick & Saul LLP, determines in good faith that such termination is required for the board of directors to comply with its fiduciary duties to stockholders imposed by law by reason of an Alternative Proposal being made; provided that LABN shall notify NBTB promptly of its intention to terminate this Agreement or enter into a definitive agreement with respect to any Alternative Proposal, but in no event shall such notice be given less than 48 hours prior to the public announcement of LABN's termination of this Agreement;

(d) by LABN, in accordance with the following provisions:

(i) at any time during the three-business-day period beginning on the Determination Date, if both of the following conditions are satisfied, subject, however, to subsection 11.2(d)(ii):

(A) The Average Closing Price (determined for purposes of this section 11.2(d)(i)(A) as if the second sentence of subsection 1.3 were deleted) (the "Modified Average Closing Price") is less than $17.00; and

(B) The number, expressed as a percentage, obtained by dividing the Modified Average Closing Price by $20.6875 is more than 15 percentage points less than the Index Differential.

(ii) If LABN chooses to exercise its right pursuant to this section 11.2(d), it shall give immediate written notice thereof to NBTB. During the three-business-day period commencing with receipt of such notice, NBTB shall have the option to agree that the Exchange Ratio shall be $17.00 divided by the Modified Average Closing Price. If NBTB so elects within such three-business-day period, it shall give immediate written notice thereof to LABN, whereupon no termination shall have occurred pursuant to this section 11.2(d) and this Agreement shall remain in effect in accordance with its terms (except that the Exchange Ratio shall be $17.00 divided by the Modified Average Closing Price).

(iii) Definitions. The following terms used in this section 11.2(d) shall have the meanings set forth in this Subparagraph (iii).

(A) Determination Date. The seventh business day preceding the Effective Time.

(B) Index Price. For any member of the Index Group, the Modified Average Closing Price calculated using, instead of NBTB Common Stock, the common stock of that member of the Index Group.

(C) Index Differential. The sum of the respective numbers (expressed as percentages), for each of the members of the Index Group, obtained by multiplying the weighting (as set forth in section 11.2(d)(iii)(D)) of that member of the Index Group times the quotient of the Index Price for that member of the Index Group divided by the Base Price (as set forth in section 11.2(d)(iii)(D)) for that member of the Index Group.

(D) Index Group. The twenty companies listed below, the common stock of all of which shall be publicly traded and as to which there shall not have been a publicly announced proposal between the day before the date of the execution of this Agreement and the Determination Date for any such company to be Acquired. In the event that the common stock of any such company ceases to be publicly traded or a proposal to Acquire that company is announced between the day before the date of the execution of this Agreement and the Determination Date, such company will be removed from the Index Group, and the weights attributed to the remaining companies will be adjusted proportionately for purposes of determining the Index Price. The twenty companies and the weights attributed to them are as follows:

Company	Weighting	Base Price
Arrow Financial Corporation, Glens Falls, NY	3.649%	$26.2500
BSB Bancorp, Inc., Binghamton, NY	5.947%	$26.2500
BT Financial Corporation, Johnstown, PA	7.783%	$24.6250
CCBT Bancorp, Inc., Hyannis, MA	3.999%	$17.5000
Century Bancorp, Inc., Medford, MA	2.680%	$18.5000
Community Bank System, Inc., Dewitt, NY	4.841%	$24.5000
Community Banks, Inc., Millersburg, PA	3.756%	$21.2500
F&M Bancorp, Frederick, MD	6.969%	$29.2500
Granite State Bankshares, Inc., Keene, NH	3.546%	$23.3750
Harleysville National Corporation, Harleysville, PA	6.583%	$35.0000
Independent Bank Corp., Rockland, MA	7.661%	$13.3125
National Penn Bancshares, Inc., Boyertown, PA	9.140%	$22.2500
Sandy Spring Bancorp, Inc., Olney, MD	6.514%	$25.5000
State Bancorp, Inc., New Hyde Park, NY	2.721%	$16.5625
Sterling Bancorp, New York, NY	4.221%	$19.6875
Suffolk Bancorp, Riverhead, NY	4.119%	$27.2500
Sun Bancorp, Inc., Vineland, NJ	3.540%	$17.2500
U.S.B. Holding Co., Inc., Orangeburg, NY	6.225%	$14.2500
Washington Trust Bancorp, Inc., Westerly, RI	4.442%	$16.4375
Yardville National Bancorp, Mercerville, NJ	1.664%	$12.7500
	100.000%	

(E) Acquire. A company within the Index Group is deemed to have been "Acquired" in any combination in which, immediately thereafter, its equity holders do not control more than 50 percent of the equity of the entity resulting from the combination;

(e) by either NBTB or LABN upon written notice given to the other if the board of directors of either NBTB or LABN shall have determined in its sole judgment made in good faith, after due consideration and consultation with counsel, that the Merger has become inadvisable or impracticable by reason of the institution of litigation by the federal government or the government of the State of New York or the Commonwealth of Pennsylvania to restrain or invalidate the transactions contemplated by this Agreement;

(f) by either NBTB or LABN upon written notice given to the other if any of the approvals referred to in section 3.1 are denied and such denial has become final and nonappealable; or

(g) by either NBTB or LABN upon written notice given to the other if the shareholders of either NBTB or LABN shall have voted on and failed to adopt this Agreement, at the meeting of such shareholders called for such purpose.

11.3. Effect of Termination. In the event of the termination and abandonment hereof pursuant to

the provisions of section 11.1 or section 11.2, this Agreement shall become void and have no force or effect, without any liability on the part of NBTB, LABN, LA Bank, or their respective directors or officers or shareholders, in respect of this Agreement. Notwithstanding the foregoing, (a) as provided in section 12.4 of this Agreement, the confidentiality agreement contained in that section shall survive such termination; (b) the provisions of sections 11.3(b), 11.3(c), 12.1, and 12.11 shall survive; (c) if such termination is a result of any of the representations and warranties of a party being materially incorrect when made or a result of the material breach or material failure by a party of a covenant or agreement hereunder, such party whose representations and warranties were materially incorrect or who materially breached or failed to perform its covenant or agreement shall be liable in the amount of $500,000 to the other party or parties hereto that are not affiliated with it; and (d) if

(i) such termination is pursuant to section 11.2(c)(iii) of this Agreement, or if

(ii) this Agreement is terminated for any reason specified in section 11.2(b)(ii) of this Agreement and a definitive agreement with respect to an Alternative Proposal is executed by LABN or LA Bank within one year after such termination, then in either case, and in addition to any amount payable or paid under subsection (c) of this section 11.3, LABN shall be liable to NBTB for liquidated damages in the further amount of $3,000,000, which amount will be payable to NBTB in immediately available funds within two business days after such amount becomes due. LABN acknowledges that the agreements contained in subsection (d) of this section 11.3 are an integral part of the transactions contemplated in this Agreement and that, without these agreements, NBTB would not enter into this Agreement.

11.4. Waiver of Terms or Conditions. Any of the terms or conditions of this Agreement, to the extent legally permitted, may be waived at any time prior to the Effective Time by the party which is, or whose shareholders are, entitled to the benefit thereof, by action taken by that party (if an individual) or by the board of directors of such party (if a corporation), or by its chairman, or by its president; provided that such waiver shall be in writing and shall be taken only if, in the judgment of the party, board of directors, or officer taking such action, such waiver will not have a materially adverse effect on the benefits intended hereunder to it or to the shareholders of its or his corporation; and the other parties hereto may rely on the delivery of such a waiver as conclusive evidence of such judgment and the validity of the waiver.

11.5. Amendment. Anything herein or elsewhere to the contrary notwithstanding, to the extent permitted by law, this Agreement and the exhibits hereto may be amended, supplemented, or interpreted at any time prior to the Effective Time by written instrument duly authorized and executed by each of the parties hereto; provided, however, that (except as specifically provided herein or as may be approved by such shareholders) this Agreement may not be amended after:

(a) the action by shareholders of LABN in any respect that would change (i) the amount or kind of shares, obligations, cash, property, or rights to be received in exchange for or on conversion of the LABN Common Stock; (ii) any term of the certificate of incorporation of NBTB to be effected by the Merger; or (iii) any of the terms and conditions of this Agreement if the change would adversely

affect the shareholders of LABN, or

(b) the action by shareholders of NBTB in any respect that would change (i) the amount or kind of shares, obligations, cash, property, or rights to be received in exchange for the NBTB Common Stock to be delivered in the Merger; (ii) any term of the certificate of incorporation of NBTB to be effected by the Merger; or (iii) any of the terms and conditions of this Agreement if the change would adversely affect the shareholders of NBTB.

12. GENERAL PROVISIONS.

12.1. Allocation of Costs and Expenses. Except as provided in this section, each party hereto shall pay its own fees and expenses, including without limitation the fees and expenses of its own counsel and its own accountants and tax advisers, incurred in connection with this Agreement and the transactions contemplated thereby. For purposes of this section, (i) the cost of printing the Joint Proxy Statement shall be apportioned between NBTB and LABN based upon the number of copies each shall request to be printed, (ii) the cost of delivering the Joint Proxy Statement and other material to be transmitted to shareholders of NBTB shall be deemed to be incurred on behalf of NBTB, (iii) the cost of delivering the Joint Proxy Statement and other material to be transmitted to shareholders of LABN shall be deemed to be incurred on behalf of LABN, (iv) the cost of registering under federal and state securities laws the stock of NBTB to be received by the shareholders of LABN shall be deemed to be incurred on behalf of NBTB, and (v) the cost of procuring the tax opinion referred to in section 3.5 of this Agreement shall be deemed to be incurred on behalf of LABN.

12.2. Mutual Cooperation.

(a) Subject to the terms and conditions herein provided, each party shall use its best efforts, and shall cooperate fully with the other party, in expeditiously carrying out the provisions of this Agreement and in expeditiously making all filings and obtaining all necessary governmental approvals, and as soon as practicable shall execute and deliver, or cause to be executed and delivered, such governmental notifications and additional documents and instruments and do or cause to be done all additional things necessary, proper, or advisable under applicable law to consummate and make effective on the earliest practicable date the transactions contemplated hereby.

(b) NBTB and LABN shall promptly prepare and file with the SEC the Joint Proxy Statement, and NBTB shall promptly prepare and file with the SEC the Registration Statement in which the Joint Proxy Statement will be included as a prospectus. NBTB and LABN shall use all reasonable efforts to have the Registration Statement declared effective under the Securities Act as promptly as practicable after such filing. Each party will supply in a timely fashion such information concerning such party as shall be necessary or appropriate for inclusion in the Joint Proxy Statement and Registration Statement.

12.3. Form of Public Disclosures. NBTB and LABN shall mutually agree in advance upon the form and substance of all public disclosures concerning this Agreement and the transactions

contemplated hereby.

12.4. Confidentiality. NBTB, LABN, and their respective subsidiaries shall use all information that each obtains from the other pursuant to this Agreement solely for the effectuation of the transactions contemplated by this Agreement or for other purposes consistent with the intent of this Agreement. Neither NBTB, LABN, nor their respective subsidiaries shall use any of such information for any other purpose, including, without limitation, the competitive detriment of any other party. NBTB and LABN shall maintain as strictly confidential all information each of them learns from the other and shall, at any time after termination of this Agreement in accordance with the terms thereof, upon the request of the other, return promptly to it all documentation provided by it or made available to third parties. Each of the parties may disclose such information to its respective affiliates, counsel, accountants, tax advisers, and consultants, provided that such parties are advised of the confidential nature of such information and agree to be bound by the terms of this section 12.4. The confidentiality agreement contained in this section 12.4 shall remain operative and in full force and effect, and shall survive the termination of this Agreement.

12.5. Claims of Brokers.

(a) LABN shall indemnify, defend, and hold NBTB harmless for, from, and against any claim, suit, liability, fees, or expenses (including, without limitation, attorneys' fees and costs of court) arising out of any claim for brokerage commissions, finder's fees, or similar compensation arising out of or due to any of its acts in connection with the transactions contemplated by this Agreement or based upon any agreement or arrangement made by it or on its behalf with respect to NBTB.

(b) NBTB shall indemnify, defend, and hold LABN harmless for, from, and against any claim, suit, liability, fees, or expenses (including, without limitation, attorneys' fees and costs of court) arising out of any claim for brokerage commissions, finder's fees, or similar compensation arising out of or due to any of its acts in connection with any of the transactions contemplated by this Agreement or based upon any agreement or arrangement made by it or on its behalf with respect to LABN.

12.6. Information for Applications and Registration Statement.

(a) Each party represents and warrants that all information concerning it which is included in any statement and application (including the Registration Statement) made to any governmental agency in connection with the transactions contemplated by this Agreement shall not, with respect to such party, contain an untrue statement of a material fact or omit any material fact required to be stated therein or necessary to make the statements made, in light of the circumstances under which they were made, not misleading. The party so representing and warranting will indemnify, defend, and hold harmless the other, each of its directors and officers, each underwriter and each person, if any, who controls the other within the meaning of the Securities Act, for, from and against any and all losses, claims, suits, damages, expenses, or liabilities to which any of them may become subject under applicable laws (including, but not limited to, the Securities Act and the Exchange Act) and rules and regulations thereunder and will reimburse them for any legal or other expenses reasonably incurred by them in connection with investigating or defending any actions whether or not resulting in liability,

insofar as such losses, claims, damages, expenses, liabilities, or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any such application or statement or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary in order to make the statements therein not misleading, but only insofar as any such statement or omission was made in reliance upon and in conformity with information furnished in writing by the representing and warranting party expressly for use therein. Each party agrees at any time upon the request of the other to furnish to the other a written letter or statement confirming the accuracy of the information contained in any proxy statement, registration statement, report, or other application or statement, and confirming that the information contained in such document was furnished expressly for use therein or, if such is not the case, indicating the inaccuracies contained in such document or draft or indicating the information not furnished expressly for use therein. The indemnity agreement contained in this section 12.6(a) shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any of the other parties, and shall survive the termination of this Agreement or the consummation of the transactions contemplated thereby.

(b) In order to provide for just and equitable contribution in circumstances in which the indemnity agreement contained in section 12.6(a) of this Agreement is for any reason held by a court of competent jurisdiction to be unenforceable as to any or every party, then the parties in such circumstances shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amounts paid in settlement of, any action, suit or proceeding or any claims asserted) to which any party may be subject in such proportion as the court of law determines based on the relative fault of the parties.

12.7. Standard of Materiality and of Material Adverse Effect.

(a) For purposes of sections 4, 6, and 7 of this Agreement, the terms "material" and "materially," when used with reference to items normally expressed in dollars, shall be deemed to refer to amounts individually and in the aggregate in excess of 3 percent of the shareholders' equity of LABN as of June 30, 1999, as determined in accordance with generally accepted accounting principles.

(b) For purposes of sections 5, 8, and 9 of this Agreement, the terms "material" and "materially," when used with reference to items normally expressed in dollars, shall be deemed to refer to amounts individually and in the aggregate in excess of 3 percent of the shareholders' equity of NBTB as of June 30, 1999, as determined in accordance with generally accepted accounting principles.

(c) For other purposes and, notwithstanding subsections (a) and (b) of this section 12.7, when used anywhere in this Agreement with explicit reference to any of the federal securities laws or to the Proxy Statement or the Registration Statement, the terms "material" and "materially" shall be construed and understood in accordance with standards of materiality as judicially determined under the federal securities laws.

(d) The term "Material Adverse Effect" wherever used in this Agreement shall mean, with respect to a person, a material adverse effect on the business, results of operations, financial condition

or prospects of such person and its subsidiaries taken as a whole or a material adverse effect on such person's ability to consummate the transactions contemplated hereby on a timely basis; provided, that, in determining whether a Material Adverse Effect has occurred, there shall be excluded any effect on the referenced person the cause of which is (i) any change in banking laws, rules or regulations of general applicability or interpretations thereof by courts or governmental authorities, (ii) any change in generally accepted accounting principles or regulatory accounting requirements applicable to banks or their holding companies generally, (iii) any action or omission of LABN or any of its subsidiaries taken with the prior written consent of NBTB, or of NBTB or any of its subsidiaries taken with the prior written consent of LABN, or (iv) any changes in general economic conditions affecting banks or their holding companies.

12.8. Adjustments for Certain Events. Anything in this agreement to the contrary notwithstanding, all prices per share, share amounts, per-share amounts, and exchange ratios referred to in this Agreement (including without limitation section 11.2(d) of this Agreement) shall be appropriately adjusted to account for stock dividends, split-ups, mergers, recapitalizations, combinations, conversions, exchanges of shares or the like, but not for normal and recurring cash dividends declared or paid in a manner consistent with the established practice of the payer.

12.9. Counterparts. This Agreement may be executed in two or more counterparts each of which shall be deemed to constitute an original, but such counterparts together shall be deemed to be one and the same instrument and to become effective when one or more counterparts have been signed by each of the parties hereto. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for the other counterpart.

12.10. Entire Agreement. This Agreement sets forth the entire understanding of the parties hereto with respect to their commitments to each other and their undertakings vis-a-vis each other on the subject matter hereof. Any previous agreements or understandings among the parties regarding the subject matter hereof are merged into and superseded by this Agreement. Nothing in this Agreement express or implied is intended or shall be construed to confer upon or to give any person, other than NBTB, LABN, and their respective shareholders, any rights or remedies under or by reason of this Agreement.

12.11. Survival of Representations, Warranties, and Covenants. None of the representations, warranties, covenants, and agreements in this Agreement or in any instrument delivered pursuant to this Agreement (other than the Stock Option Agreement, the employment agreement described in section 4.8 hereof, and the change-in-control agreements described in section 5.5 hereof, each of which shall terminate in accordance with its terms), shall survive the Effective Time, except for sections 9.6, 12.4, 12.6, and those other covenants and agreements contained herein and therein which by their terms apply in whole or in part after the Effective Time.

12.12. Section Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof. Any reference to a "person" herein shall include an individual, firm, corporation, partnership, trust, government or political subdivision or agency or instrumentality thereof, association,

unincorporated organization, or any other entity.

12.13. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

NBT Bancorp Inc.
52 South Broad Street
Norwich, New York 13815

Attention: Mr. Daryl R. Forsythe
President and Chief Executive Officer

With a required copy to:

Brian D. Alprin, Esq.
Duane, Morris & Heckscher LLP
1667 K Street, N.W., Suite 700
Washington, D.C. 20006

If to LABN or LA Bank:

Lake Ariel Bancorp, Inc.
409 Lackawanna Avenue, Suite 201
Scranton, Pennsylvania 18503-2045

Attention: Mr. John G. Martines
Chief Executive Officer

With a required copy to:

John B. Lampi, Esq.
Saul, Ewing, Remick & Saul LLP
Penn National Insurance Tower
Two North Second Street, 7th Floor
Harrisburg, Pennsylvania 17101

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

12.14. Choice of Law and Venue. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of law thereof, except that the BCL (in the case of LABN) shall govern with respect to the terms and conditions of the Merger, the approval and effectiveness thereof, and the authorization, cancellation, or issuance of the stock or options of LABN with respect thereto. The parties hereby designate the Chancery Court in New Castle County, Delaware to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of process in the State of Delaware. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

12.15. Knowledge of a Party. References in this Agreement to the knowledge of a party shall mean the actual knowledge possessed by the present executive officers of such party.

12.16. Binding Agreement. This Agreement shall be binding upon the parties and their respective successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NBT BANCORP INC.

By: DARYL R. FORSYTHE

Daryl R. Forsythe
President and Chief Executive Officer

By: JOHN D. ROBERTS

John D. Roberts
Senior Vice President and Secretary

LAKE ARIEL BANCORP, INC.

By: JOHN G. MARTINES

John G. Martines
Chief Executive Officer

By: DONALD E. CHAPMAN

Donald E. Chapman
Secretary

State of New York	)	
	)	ss.
County of Chenango	)	

On this sixteenth day of August, 1999, before me personally appeared Daryl R. Forsythe, to me known to be the President and Chief Executive Officer of NBT Bancorp Inc., and John D. Roberts, to me known to be the Senior Vice President and Secretary of NBT Bancorp Inc., and each acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath each stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

DAVID R. THELEMAN

Notary Public

DAVID R. THELEMAN
Notary Public, State of New York
Broome County, # 4940256
Commission Expires Aug. 8, 2000

Commonwealth of Pennsylvania	)	
	)	ss.
County of Lackawanna	)	

On this sixteenth day of August, 1999, before me personally appeared John G. Martines, to me known to be the Chief Executive Officer of Lake Ariel Bancorp, Inc., and Donald E. Chapman, to me known to be the Secretary of Lake Ariel Bancorp, Inc., and each acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath each stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

In Witness Whereof I have hereunto set my hand and affixed my official seal the day and year first above written.

SUSAN MROCZKA

Notary Public

Notarial Seal
Susan Mroczka, Notary Public
Archibald Boro, Lackawanna County
My Commission Expires Jan. 10, 2000

Member, Pennsylvania Association of Notaries

The undersigned members of the Board of Directors of Lake Ariel Bancorp, Inc. ("LABN"), acknowledging that NBT Bancorp Inc. ("NBTB") has relied upon the action heretofore taken by the board of directors in entering into the Agreement, and has required the same as a prerequisite to NBTB's execution of the Agreement, do individually and as a group agree, subject to their fiduciary duties to shareholders, to support the Agreement and to recommend its adoption by the other shareholders of LABN.

The undersigned do hereby, individually and as a group, until the Effective Time or termination of the Agreement, further agree to refrain from soliciting or, subject to their fiduciary duties to shareholders, negotiating or accepting any offer of merger, consolidation, or acquisition of any of the shares or all or substantially all of the assets of LABN or LA Bank, National Association.

WILLIAM C. GUMBLE - ----------	BRUCE D. HOWE ----------
KENNETH M. POLLOCK - ----------	PETER O. CLAUSS ----------
PAUL D. HORGER - ----------	DONALD E. CHAPMAN ----------
HARRY F. SCHOENAGEL - ----------	JOHN G. MARTINES ----------

EXHIBIT 2.3

STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT (the "Agreement"), dated as of the sixteenth day of August, 1999 between NBT Bancorp Inc., a Delaware corporation ("Grantee"), and Lake Ariel Bancorp, Inc., a Pennsylvania corporation ("Issuer").

RECITALS

WHEREAS, contemporaneously with the execution and delivery of this Agreement, Grantee and Issuer have entered into an Agreement and Plan of Merger dated as of August 16, 1999 (the "Merger Agreement"); and

WHEREAS, as an inducement to the willingness of Grantee to enter into the Merger Agreement, Grantee has requested that Issuer grant and Issuer has agreed to grant Grantee the Option (as hereinafter defined).

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein and in the Merger Agreement, intending to be legally bound, the parties hereto agree as follows:

1. Grant of Option.

(a) Issuer hereby grants to Grantee an unconditional, irrevocable option (the "Option") to purchase, subject to the terms hereof, up to an aggregate of 965,300 fully paid and nonassessable shares of common stock, par value $0.21 per share, of Issuer ("Common Stock") at a price per share equal to $11.375 (such price, as adjusted in the manner set forth herein, the "Option Price"); provided, however, that in no event shall the number of shares for which this Option is exercisable exceed 19.9 percent of the issued and outstanding shares of Common Stock. The number of shares of Common Stock that may be received upon the exercise of the Option and the Option Price are subject to adjustment as herein set forth.

(b) In the event that any additional shares of Common Stock are issued or otherwise become outstanding after the date of this Agreement (other than pursuant to this Agreement and other than pursuant to an event described in section 5(a) hereof), the number of shares of Common Stock subject to the Option shall be increased so that, after such issuance, such number, together with any shares of Common Stock previously issued pursuant hereto, equals 19.9 percent of the number of shares subject or issued pursuant to the Option. Nothing contained in this section 1(b) or elsewhere in this Agreement shall be deemed to authorize Issuer to issue shares in breach of any provision of the Merger Agreement.

2. Exercise of Option.

(a) The Holder (as hereinafter defined) may exercise the Option, in whole or part, at any time after the occurrence of a Triggering Event (as hereinafter defined), provided that such Triggering Event shall have occurred prior to the occurrence of an Exercise Termination Event (as hereinafter defined), and provided further that the date of the Holder's exercise of the Option precedes the occurrence of an Exercise Termination Event. Each of the following shall be an "Exercise Termination Event": (i) occurrence of the Effective Time (as such term is defined in the Merger Agreement); (ii) termination of the Merger Agreement in accordance with the provisions thereof except (each of the following exceptions being hereinafter collectively referred to as an "Excepted Termination") a termination by Grantee pursuant to section 11.2(b) of the Merger Agreement as a result of a breach by Issuer of the type described in such provision, or a termination by Issuer pursuant to section 11.2(c)(iii) of the Merger Agreement; or (iii) the passage of 18 months (or such longer period as provided in section 10) after an Excepted Termination. The term "Holder" shall mean the holder or holders of the Option.

(b) The term "Triggering Event" shall mean any of the following events or transactions occurring on or after the date hereof:

(i) Issuer or LA Bank, National Association (the "Bank Subsidiary"), without having received Grantee's prior written consent, shall have entered into an agreement to engage in an Acquisition Transaction (as

defined below) with any person (the term "person" for purposes of this Agreement having the meaning assigned thereto in sections 3(a)(9) and 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder) other than Grantee or any of its subsidiaries (each a "Grantee Subsidiary"), or the Board of Directors of Issuer (the "Issuer Board") or of the Bank Subsidiary shall have recommended that the shareholders of Issuer approve or accept any Acquisition Transaction other than as contemplated by the Merger Agreement;

(ii) Any person other than the Grantee or any Grantee Subsidiary shall have acquired beneficial ownership or the right to acquire beneficial ownership of 10 percent or more of the outstanding shares of Common Stock (the term "beneficial ownership" for purposes of this Agreement having the meaning assigned thereto in section 13(d) of the Exchange Act and the rules and regulations thereunder), or, to the extent any such person has currently acquired beneficial ownership or the right to acquire beneficial ownership of 10 percent or more of the outstanding shares of Common Stock, such person shall have acquired beneficial ownership or the right to acquire beneficial ownership of any additional shares of Common Stock;

(iii) The shareholders of Issuer shall have voted on and failed to approve the Merger Agreement at a meeting which has been held for that purpose or any adjournment or postponement thereof, or such meeting shall not have been held in violation of the Merger Agreement or shall have been canceled prior to termination of the Merger Agreement if, prior to such meeting (or if such meeting shall not have been held or shall have been canceled, prior to such termination), it shall have been publicly announced that any person (other than Grantee or any Grantee Subsidiary) shall

have made a bona fide proposal to engage in an Acquisition Transaction;

(iv) The Issuer Board shall have withdrawn or modified (or publicly announced its intention to withdraw or modify) in any manner adverse to Grantee its recommendation that the shareholders of Issuer approve the transactions contemplated by the Merger Agreement, or Issuer or the Bank Subsidiary shall have authorized, recommended or proposed (or publicly announced its intention to authorize, recommend or propose) an agreement to engage in an Acquisition Transaction with any person other than Grantee or any Grantee Subsidiary;

(v) Any person other than Grantee or any Grantee Subsidiary shall have made a bona fide proposal to Issuer or its shareholders to engage in an Acquisition Transaction and such proposal shall have been publicly announced;

(vi) Any person other than Grantee or any Grantee Subsidiary shall have filed with the Securities and Exchange Commission ("SEC") a registration statement or tender offer materials with respect to a potential exchange or tender offer that would constitute an Acquisition Transaction;

(vii) Issuer shall have breached any covenant or obligation contained in the Merger Agreement in anticipation of engaging in an Acquisition Transaction with any person other than Grantee or a Grantee Subsidiary, and following such breach, Grantee would be entitled to terminate the Merger Agreement pursuant to section 11.2(b) of the Merger Agreement; or

(viii) any person other than Grantee or any Grantee Subsidiary shall have filed an application or notice with the Board of Governors of the Federal Reserve System (the "Board of Governors") or other federal or state bank regulatory or antitrust authority, which application or notice has been accepted for processing, for approval to engage in an Acquisition Transaction.

(c) The term "Acquisition Transaction" shall mean any transaction under which a person proposes to or will acquire a majority of the stock of, merge or consolidate with, or acquire all or substantially all of the assets of the Issuer or the Bank Subsidiary, or otherwise engage in any substantially similar transaction with the Issuer or the Bank Subsidiary.

(d) Issuer shall notify Grantee in writing of the occurrence of any Triggering Event promptly after becoming aware of the occurrence thereof, it being understood that the giving of such notice by Issuer shall not be a condition to the right of the Holder to exercise the Option.

(e) In the event that the Holder is entitled to and wishes to exercise the Option (or any portion thereof), it shall send to Issuer a written notice (the date of which being herein referred to as the "Notice Date") specifying (i) the total number of shares it will purchase pursuant to such exercise and (ii) a place and date not earlier than three business days nor later than 60 business days from the Notice Date for the closing of such purchase (the "Closing"); provided, that if prior notification to or approval of the Board of Governors or any other federal or state regulatory or antitrust authority is required in connection with such purchase, the Holder shall promptly file the required notice or

application for approval, shall promptly notify Issuer of such filing, and shall expeditiously process the same, and the period of time that otherwise would run pursuant to this sentence shall run instead from the date on which any required notification periods have expired or been terminated or such approval shall have been obtained and any requisite waiting period or periods shall have passed. Any exercise of the Option shall be deemed to occur on the Notice Date relating thereto.

(f) At the Closing, the Holder shall (i) pay the Issuer the aggregate purchase price for the shares of Common Stock purchased pursuant to the exercise of the Option in immediately available funds by wire transfer to a bank account designated by Issuer and (ii) present and surrender this Agreement to Issuer at its principal executive offices, provided that the failure or refusal of the Issuer to designate such a bank account or accept surrender of this Agreement shall not preclude the Holder from exercising the Option.

(g) At any Closing, simultaneously with the delivery of immediately available funds as provided in subsection (f) of this section 2, Issuer shall deliver to the Holder a certificate or certificates representing the number of shares of Common Stock purchased by the Holder and, if the Option shall have been exercised in part only, a new Option evidencing the rights of the Holder thereof to purchase the balance of the shares purchasable hereunder. Certificates for shares of Common Stock purchased by the Holder hereunder shall be delivered by Issuer free and clear of all liens, claims, charges and encumbrances of any kind, and shall be in such denominations and in such names designated by the Holder.

(h) Certificates for Common Stock delivered at a Closing hereunder may be endorsed with a restrictive legend that shall read substantially as follows:

> "The transfer of the shares represented by this certificate is subject to certain provisions of an agreement, dated as of August 16, 1999, between the registered holder hereof and Issuer and to resale restrictions arising under the Securities Act of 1933, as amended. A copy of such agreement is on file at the principal office of Issuer and will be provided to the holder hereof without charge upon receipt by Issuer of a written request therefor."

It is understood and agreed that (i) the reference to the resale restrictions of the Securities Act of 1933, as amended (the "Securities Act"), in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the Holder or any Owner (as defined below), as the case may be, shall have delivered to Issuer a copy of a letter from the staff of the SEC, or an opinion of counsel, in form and substance reasonably satisfactory to Issuer, to the effect that such legend is not required for purposes of the Securities Act; (ii) the reference to the provisions of this Agreement in the above legend shall be removed by delivery of substitute certificate(s) without such reference if the shares have been sold or transferred in compliance with the provisions of this Agreement and under circumstances that do not require the retention of such references in the reasonable opinion of counsel to the Holder or any Owner (as defined below), as the case may be; and (iii) the legend shall be removed in its entirety if the conditions in the preceding clauses (i) and (ii) are both satisfied. In addition, such

certificates shall bear any other legend as may be required by law.

(i) Upon the giving by the Holder to Issuer of the written notice of exercise of the Option provided for under subsection (e) of this section 2 and the tender of the applicable purchase price in immediately available funds, the Holder shall be deemed to be the holder of record of the shares of Common Stock issuable upon such exercise, notwithstanding that the stock transfer books of Issuer shall then be closed or that certificates representing such shares of Common Stock shall not then be actually delivered to the Holder. Issuer shall pay all expenses, and any and all federal, state and local taxes and other charges that may be payable in connection with the initial preparation, issue and delivery of stock certificates under this section 2 in the name of the Holder or its assignee, transferee or designee.

3. Covenants of Issuer.

Issuer agrees: (i) that it shall at all times maintain, free from preemptive rights, sufficient authorized but unissued or treasury shares of Common Stock so that the Option may be exercised without additional authorization of Common Stock after giving effect to all other options, warrants, convertible securities and other rights to purchase Common Stock; (ii) that it will not, by charter amendment or through reorganization, consolidation, merger, dissolution or sale of assets, or by any other voluntary act, avoid or seek to avoid the observance of performance of any of the covenants, stipulations or conditions to be observed or performed hereunder by Issuer (it being agreed that this clause (ii) shall not be deemed to prohibit or restrict Issuer from engaging in one or more transactions contemplated by section 8(a) hereof if the provisions of section 8 hereof shall be complied with in connection with each such transaction); (iii) promptly to take all action as may from time to time be required (including (x) complying with all applicable premerger notification, reporting and waiting period requirements specified in 15 U.S.C. section 18a and regulations promulgated thereunder and (y) in the event that, under the Bank Holding Company Act of 1956, as amended, or any other applicable federal or state banking law, prior notice to or approval of the Board of Governors or any other federal or state regulatory authority is necessary before the Option may be exercised, cooperating fully with the Holder in preparing such applications or notices and providing such information to the Board of Governors or such other federal or state regulatory authority as they may require) in order to permit the Holder to exercise the Option and Issuer duly and effectively to issue shares of Common Stock pursuant hereto; and (iv) promptly to take all action provided in sections 5 and 8 as and when required pursuant to such sections.

4. Exchangeability.

This Agreement (and the Option granted hereby) are exchangeable, without expense, at the option of the Holder, upon presentation and surrender of this Agreement at the principal office of Issuer, for other Agreements providing for Options of different denominations entitling the Holder thereof to purchase, on the same terms and subject to the same conditions as are set forth herein, in the aggregate the same number of shares of Common Stock purchasable hereunder. The terms "Agreement" and "Option" as used herein include any Agreements and related Options for which this Agreement (and the Option granted hereby) may be exchanged. Upon receipt by Issuer of evidence

reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Agreement, and (in the case of loss, theft or destruction) of reasonably satisfactory indemnification, and upon surrender and cancellation of this Agreement, if mutilated, Issuer will execute and deliver a new Agreement of like tenor and date in substitution for the lost, stolen, destroyed or mutilated Agreement.

5. Adjustment.

In addition to the adjustment in the number of shares of Common Stock that are purchasable upon exercise of the Option pursuant to section 1 of this Agreement, the number of shares of Common Stock purchasable upon exercise of the Option and the Option Price shall be subject to adjustment from time to time as provided in this section 5.

(a) In the event of any change in, or distributions in respect of, the Common Stock by reason of stock dividends, split-ups, mergers, recapitalizations, reclassifications, combinations, subdivisions, exchanges of shares or the like, the type and number of shares of Common Stock purchasable upon exercise hereof shall be appropriately adjusted and proper provision shall be made so that, in the event that the number of shares of Common Stock that are issued or issuable is to be increased or decreased (other than pursuant to an exercise of the Option), the number of shares of Common Stock that remain subject to the Option shall be increased or decreased, as the case may be, so that, after such issuance and together with shares of Common Stock previously issued pursuant to the exercise of the Option (as adjusted on account of any of the foregoing changes in the Common Stock), such number is equal to 19.9 percent of the number of shares of Common Stock then issued and outstanding.

(b) Whenever the number of shares of Common Stock purchasable upon exercise hereof is adjusted as provided in this section 5, the Option Price shall be adjusted by multiplying the Option Price immediately prior to the adjustment by a fraction, the numerator of which shall be equal to the number of shares of Common Stock purchasable prior to the adjustment and the denominator of which shall be equal to the number of shares of Common Stock purchasable after the adjustment.

6. Registration of Option Shares.

Upon the occurrence of the first Triggering Event that occurs prior to an Exercise Termination Event, Issuer shall, at the request of Grantee delivered from time to time (but not more frequently than once every six months) after such Triggering Event (whether on its own behalf or on behalf of any subsequent Holder of this Option (or part thereof) or any Owner (as defined below) of any of the shares of Common Stock issued pursuant hereto), promptly prepare, file and keep current a registration statement under the Securities Act covering any shares issued and issuable pursuant to this Option and shall use its reasonable best efforts to cause such registration statement to become effective and remain current in order to permit the sale or other disposition of any shares of Common Stock issued upon total or partial exercise of this Option ("Option Shares") in accordance with any plan of disposition requested by Grantee. Issuer will use its reasonable best efforts to cause such registration statement promptly to become effective and then to remain effective for such period not in excess of 180 days from the day such registration statement first becomes effective or such shorter time as may be reasonably necessary

to effect such sales or other dispositions. Grantee shall have the right to demand no more than two such registrations. Issuer shall bear the cost of such registrations (including, but not limited to, Issuer's attorneys' fees, printing costs and filing fees), except for underwriting discounts or commissions, brokers' fees and the fees and disbursements of Grantee's counsel related thereto. The foregoing notwithstanding, if, at the time of any request by Grantee for registration of Option Shares as provided above, Issuer is in registration with respect to an underwritten public offering by Issuer of shares of Common Stock, and if in the good faith judgment of the managing underwriter or managing underwriters, or, if none, the sole underwriter or underwriters, of such offering the offer and sale of the Option Shares would interfere with the successful marketing of the shares of Common Stock offered by Issuer, the number of Option Shares otherwise to be covered in the registration statement contemplated hereby may be reduced, provided, however, that after any such required reduction the number of Option Shares to be included in such offering for the account of the Holder shall constitute at least 25 percent of the total number of shares to be sold by Holder and Issuer in the aggregate; and provided further, however, that if such reduction occurs, then Issuer shall file a registration statement for the balance as promptly as practicable thereafter as to which no reduction pursuant to this section 6 shall be permitted or occur and the Holder shall thereafter be entitled to one additional registration. Each such Holder shall provide all information reasonably requested by Issuer for inclusion in any registration statement to be filed hereunder. If requested by any such Holder in connection with such registration, Issuer shall become a party to any underwriting agreement relating to the sale of such shares, but only to the extent of obligating itself in respect of representations, warranties, indemnities and other agreements customarily included in such underwriting agreements for Issuer. Upon receiving any request under this section 6 from any Holder, Issuer agrees to send a copy thereof to any other person known to Issuer to be entitled to registration rights under this section 6, in each case by promptly mailing the same, postage prepaid, to the address of record of the persons entitled to receive such copies. Notwithstanding anything to the contrary contained herein, in no event shall the number of registrations that Issuer is obligated to effect be increased by reason of the fact that there shall be more than one Holder as a result of any assignment or division of this Agreement.

7. Option Repurchase.

(a) At any time after the occurrence of a Repurchase Event (as defined below), (i) at the request of the Holder, delivered prior to an Exercise Termination Event (or such later period as provided in section 10), Issuer (or any successor thereto) shall repurchase the Option from the Holder at a price (the "Option Repurchase Price") equal to the amount by which (A) the Market/Offer Price (as defined below) exceeds (B) the Option Price, multiplied by the number of shares for which this Option may then be exercised and (ii) at the request of the owner of Option Shares from time to time (the "Owner"), delivered prior to an Exercise Termination Event (or such later period as provided in section 10), Issuer (or any successor thereto) shall repurchase such number of the Option Shares from the Owner as the Owner shall designate at a price (the "Option Share Repurchase Price") equal to the Market/Offer Price multiplied by the number of Option Shares so designated. The term "Market/Offer Price" shall mean the highest of (i) the highest price per share of Common Stock paid by any person that acquires beneficial ownership of 50 percent or more of the then outstanding Common Stock, (ii) the price per share of Common Stock to be paid by any third party pursuant to an agreement with Issuer entered into after the date hereof and prior to the date the Holder gives notice of the required repurchase

of this Option or the Owner gives notice of the required repurchase of Option Shares, as the case may be, (iii) the highest closing price for shares of Common Stock within the six-month period immediately preceding the date the Holder gives notice of the required repurchase of this Option or the Owner gives notice of the required repurchase of Option Shares, as the case may be, or (iv) in the event of a sale of all or any substantial part of the Issuer's or Bank Subsidiary's assets or deposits, the sum of the net price paid in such sale of such assets or deposits and the current market value of the remaining net assets of Issuer or Issuer Subsidiary as determined by a nationally recognized investment banking firm selected by the Holder or the Owner, as the case may be, and reasonably acceptable to Issuer, divided by the number of shares of Common Stock of Issuer outstanding at the time of such sale on a fully-diluted basis. In determining the Market/Offer Price, the value of consideration other than cash shall be determined by a nationally recognized investment banking firm selected by the Holder or Owner, as the case may be, and reasonably acceptable to Issuer.

(b) The Holder or any Owner, as the case may be, may exercise its right to require Issuer to repurchase the Option or any Option Shares pursuant to this section 7 by surrendering for such purpose to Issuer, at its principal office, a copy of this Agreement or certificates for Option Shares, as applicable, accompanied by a written notice or notices stating that the Holder or the Owner, as the case may be, elects to require Issuer to repurchase this Option and/or the Option Shares in accordance with the provisions of this section 7. As promptly as practicable, and in any event within five business days after the surrender of the Option and/or certificates representing Option Shares and the receipt of such notice or notices relating thereto, Issuer shall deliver or cause to be delivered to the Holder the Option Repurchase Price and/or to the Owner the Option Share Repurchase Price therefor or the portion thereof that Issuer is not then prohibited under applicable law, regulation and administrative policy from so delivering.

(c) To the extent that Issuer is prohibited under applicable law or regulation, or as a consequence of administrative policy, from repurchasing the Option and/or the Option Shares in full, Issuer shall immediately so notify the Holder and/or the Owner and thereafter deliver or cause to be delivered, from time to time, to the Holder and/or the Owner, as appropriate, the portion of the Option Repurchase Price and the Option Share Repurchase Price, respectively, that it is no longer prohibited from delivering, within five business days after the date on which Issuer is no longer so prohibited; provided, however, that if Issuer at any time after delivery of a notice of repurchase pursuant to paragraph (b) of this section 7 is prohibited under applicable law or regulation, or as a consequence of administrative policy, from delivering to the Holder and/or the Owner, as appropriate, the Option Repurchase Price and the Option Share Repurchase Price, respectively, in full (and Issuer hereby undertakes to use its reasonable best efforts to obtain all required regulatory and legal approvals and to file any required notices as promptly as practicable in order to accomplish each such repurchase), the Holder or Owner may revoke its notice of repurchase of the Option and/or Option Shares, either in whole or to the extent of the prohibition. If the Holder or Owner revokes its notice of repurchase of the Option and/or the Option Shares in its entirety, Issuer shall promptly deliver to the Holder and/or the Owner, as appropriate, all documents delivered to the Issuer by the Holder and/or Owner under paragraph (b) of this section 7. If the Holder or Owner revokes its notice of repurchase of the Option and/or Option Shares to the extent of the prohibition to which the Issuer is subject, Issuer shall promptly (i) deliver to the Holder and/or the Owner, as appropriate, that portion of the Option

Repurchase Price and/or the Option Share Repurchase Price that Issuer is not prohibited from delivering, and (ii) deliver, as appropriate, either (A) to the Holder, a new Agreement evidencing the right of the Holder to purchase that number of shares of Common Stock obtained by multiplying the number of shares of Common Stock for which the surrendered Agreement was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Option Repurchase Price less the portion thereof theretofore delivered to the Holder and the denominator of which is the Option Repurchase Price and/or (B) to the Owner, a certificate for the Option Shares it is then so prohibited from repurchasing. If an Exercise Termination Event shall have occurred prior to the date of the notice by Issuer described in the first sentence of this subsection (c), or shall be scheduled to occur at any time before the expiration of a period ending on the thirtieth day after such date, the Holder shall nonetheless have the right to exercise the Option until the expiration of such 30-day period.

(d) For purposes of this section 7, a "Repurchase Event" shall be deemed to have occurred upon the occurrence of any of the following events or transactions after the date hereof:

(i) the acquisition by any person (other than Grantee or any Grantee Subsidiary) of beneficial ownership of 50 percent or more of the then outstanding Common Stock; or

(ii) the consummation of any Acquisition Transaction by any person other than Grantee or any Grantee Subsidiary.

8. Conversion or Exchange of Option.

(a) In the event that, prior to an Exercise Termination Event, Issuer or Bank Subsidiary shall enter into an agreement (i) to consolidate with or merge into any person, other than Grantee or a Grantee Subsidiary, or engage in a plan of exchange with any person, other than Grantee or a Grantee Subsidiary, and Issuer or the Bank Subsidiary shall not be the continuing or surviving corporation of such consolidation or merger or the acquirer in such plan of exchange, (ii) to permit any person, other than Grantee or a Grantee Subsidiary, to merge into Issuer or the Bank Subsidiary or be acquired by Issuer or the Bank Subsidiary in a plan of exchange and Issuer or the Bank Subsidiary shall be the continuing or surviving or acquiring corporation, but, in connection with such merger or plan of exchange, the then outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other person or cash or any other property or the then outstanding shares of Common Stock shall after such merger or plan of exchange represent less than 50 percent of the outstanding shares and share equivalents of the merged or acquiring company, or (iii) to sell or otherwise transfer all or substantially all of the Issuer's or the Bank Subsidiary's assets or deposits to any person, other than Grantee or a Grantee Subsidiary, then, and in each such case, the agreement governing such transaction shall make proper provision so that the Option shall, upon the consummation of any such transaction and upon the terms and conditions set forth herein, be converted into, or exchanged for, an option (the "Substitute Option"), at the election of the Holder, of either (x) the Acquiring Corporation (as hereinafter defined), or (y) any person that controls the Acquiring Corporation.

(b) The following terms have the meanings indicated:

(i) "Acquiring Corporation" shall mean (i) the continuing or surviving person of a consolidation or merger with Issuer or the Bank Subsidiary (if other than Issuer or the Bank Subsidiary), (ii) the acquiring person in a plan of exchange in which Issuer or Bank Subsidiary is acquired, (iii) the Issuer or the Bank Subsidiary in a merger or plan of exchange in which Issuer or the Bank Subsidiary is the continuing or surviving or acquiring person, and (iv) the transferee of all or substantially all of Issuer's or the Bank Subsidiary's assets or deposits.

(ii) "Substitute Common Stock" shall mean the common stock issued by the issuer of the Substitute Option upon exercise of the Substitute Option.

(iii) "Assigned Value" shall mean the Market/Offer Price, as defined in section 7.

(iv) "Average Price" shall mean the average closing price of a share of the Substitute Common Stock for one year immediately preceding the consolidation, merger or sale in question; provided that if Issuer is the issuer of the Substitute Option, the Average Price shall be computed with respect to a share of common stock issued by the person merging into Issuer or the Bank Subsidiary or by any company which controls or is controlled by such person, as the Holder may elect.

(c) The Substitute Option shall have the same terms as the Option, provided that if the terms of the Substitute Option cannot, for legal reasons, be the same as the Option, such terms shall be as similar as possible and in no event less advantageous to the Holder. The issuer of the Substitute Option shall also enter into an agreement with the then Holder or Holders of the Substitute Option in substantially the same form as this Agreement (after giving effect for such purpose to the provisions of section 9), which agreement shall be applicable to the Substitute Option.

(d) The Substitute Option shall be exercisable for such number of shares of Substitute Common Stock as is equal to the Assigned Value multiplied by the number of shares of Common Stock for which the Option was exercisable immediately prior to the event described in the first sentence of section 8(a), divided by the Average Price. The exercise price of the Substitute Option per share of Substitute Common Stock shall then be equal to the Option Price multiplied by a fraction, the numerator of which shall be the number of shares of Common Stock for which the Option was exercisable immediately prior to the event described in the first sentence of section 8(a) and the denominator of which shall be the number of shares of Substitute Common Stock for which the Substitute Option is exercisable.

(e) In no event, pursuant to any of the foregoing paragraphs, shall the Substitute Option be exercisable for more than 19.9 percent of the shares of Substitute Common Stock outstanding prior to exercise of the Substitute Option. In the event that the Substitute Option would be exercisable for more than the maximum number of the shares of Substitute Common Stock permitted by the preceding sentence but for this clause (e), the issuer of the Substitute Option (the "Substitute Option Issuer") shall make a cash payment to Holder equal to the excess of (i) the value of

the Substitute Option without giving effect to the limitation in this clause (e) over (ii) the value of the Substitute Option after giving effect to the limitation in this clause (e). This difference in value shall be determined by a nationally recognized investment banking firm selected by the Holder and reasonably acceptable to the Issuer.

(f) Issuer shall not enter into any transaction described in subsection (a) of this section 8 unless the Acquiring Corporation and any person that controls the Acquiring Corporation assume in writing all the obligations of Issuer hereunder.

9. Substitute Option Repurchase.

(a) At the request of the holder of the Substitute Option (the "Substitute Option Holder"), the Substitute Option Issuer shall repurchase the Substitute Option from the Substitute Option Holder at a price (the "Substitute Option Repurchase Price") equal to the amount by which (i) the Highest Closing Price (as hereinafter defined) exceeds (ii) the exercise price of the Substitute Option, multiplied by the number of shares of Substitute Common Stock for which the Substitute Option may then be exercised, and at the request of the owner (the "Substitute Share Owner") of shares of Substitute Common Stock (the "Substitute Shares"), the Substitute Option Issuer shall repurchase the Substitute Shares at a price (the "Substitute Share Repurchase Price") equal to the Highest Closing Price multiplied by the number of Substitute Shares so designated. The term "Highest Closing Price" shall mean the highest closing price for shares of Substitute Common Stock within the six-month period immediately preceding the date the Substitute Option Holder gives notice of the required repurchase of the Substitute Option or the Substitute Share Owner gives notice of the required repurchase of Substitute Shares, as applicable.

(b) The Substitute Option Holder or any Substitute Share Owner, as the case may be, may exercise its respective rights to require the Substitute Option Issuer to repurchase the Substitute Option or any Substitute Shares pursuant to this section 9 by surrendering for such purpose to the Substitute Option Issuer, at its principal office, the agreement for such Substitute Option (or in the absence of such an agreement, a copy of this Agreement) and/or certificates for Substitute Shares accompanied by a written notice or notices stating that the Substitute Option Holder or the Substitute Share Owner, as the case may be, elects to require the Substitute Option Issuer to repurchase the Substitute Option and/or the Substitute Shares in accordance with the provisions of this section 9. As promptly as practicable, and in any event within five business days after the surrender of the Substitute Option and/or certificates representing Substitute Shares and the receipt of such notice of notices relating thereto, the Substitute Option Issuer shall deliver or cause to be delivered to the Substitute Option Holder the Substitute Option Repurchase Price and/or to the Substitute Share Owner the Substitute Share Repurchase Price therefor or the portion thereof which the Substitute Option Issuer is not then prohibited under applicable law, regulation and administrative policy from so delivering.

(c) To the extent that the Substitute Option Issuer is prohibited under applicable law or regulation, or as a consequence of administrative policy, from repurchasing the Substitute Option and/or the Substitute Shares in full, the Substitute Option Issuer shall immediately so notify the Substitute Option Holder and/or the Substitute Share Owner and thereafter deliver or cause to be

delivered, from time to time, to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the portion of the Substitute Option Repurchase Price and/or the Substitute Share Repurchase Price, respectively, which it is no longer prohibited from delivering, within five business days after the date on which the Substitute Option Issuer is no longer so prohibited; provided, however, that if the Substitute Option Issuer is at any time after delivery of a notice of repurchase pursuant to paragraph (b) of this section 9 prohibited under applicable law or regulation, or as a consequence of administrative policy, from delivering to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, the Substitute Option Repurchase Price and the Substitute Share Repurchase Price, respectively, in full (and the Substitute Option Issuer hereby undertakes to use its reasonable best efforts to obtain all required regulatory and legal approvals and to file any required notices as promptly as practicable in order to accomplish such repurchase), the Substitute Option Holder and/or Substitute Share Owner may revoke its notice of repurchase of the Substitute Option or Substitute Shares, either in whole or to the extent of the prohibition. If the Substitute Option Holder or Substitute Share Owner revokes its notice of repurchase of the Substitute Option and/or Substitute Shares in its entirety, the Substitute Option Issuer shall promptly deliver to the Substitute Option Holder and/or the Substitute Share Owner, as appropriate, all documents delivered to the Substitute Option Issuer by the Substitute Option Holder or the Substitute Share Owner under paragraph (b) of this Paragraph 9. If the Substitute Option Holder or the Substitute Share Owner revokes its notice of repurchase of the Substitute Option and/or the Substitute Shares to the extent of the prohibition to which the Substitute Option Issuer is subject, the Substitute Option Issuer shall promptly (i) deliver to the Substitute Option Holder or the Substitute Share Owner, as appropriate, that portion of the Substitute Option Repurchase Price or the Substitute Share Repurchase Price that the Substitute Option Issuer is not prohibited from delivering, and (ii) deliver, as appropriate, either (A) to the Substitute Option Holder, a new Substitute Option evidencing the right of the Substitute Option Holder to purchase that number of shares of the Substitute Common Stock obtained by multiplying the number of shares of Substitute Common Stock for which the surrendered Substitute Option was exercisable at the time of delivery of the notice of repurchase by a fraction, the numerator of which is the Substitute Option Repurchase Price less the portion thereof theretofore delivered to the Substitute Option Holder and the denominator of which is the Substitute Option Repurchase Price and/or (B) to the Substitute Share Owner, a certificate for the Substitute Option Shares it is then so prohibited from repurchasing. If an Exercise Termination Event shall have occurred prior to the date of the notice by the Substitute Option Issuer described in the first sentence of this subsection (c), or shall be scheduled to occur at any time before the expiration of a period ending on the thirtieth day after such date, the Substitute Option Holder shall nevertheless have the right to exercise the Substitute Option until the expiration of such 30-day period.

10. Extension of Time Periods.

The periods of exercise of those rights of any party other than the Issuer and the Bank Subsidiary set forth in sections 2, 6, 7, and 9 shall be extended: (i) to the extent necessary to obtain all regulatory approvals for the exercise of such rights (for so long as the Holder, Owner, Substitute Option Holder or Substitute Share Owner, as the case may be, is using commercially reasonable efforts to obtain such regulatory approvals), and for the expiration of all statutory waiting periods; (ii) during the pendency of any temporary restraining order, injunction or other legal bar to exercise of such rights; and (iii) to the extent necessary to avoid liability under section 16(b) of the Exchange Act by reason

of such exercise.

11. Representations and Warranties of Issuer.

Issuer hereby represents and warrants to Grantee as follows:

(a) Issuer has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by the Issuer Board on the date hereof and no other corporate proceedings on the part of Issuer are necessary to authorize this Agreement or to consummate the transactions so contemplated. This Agreement has been duly and validly executed and delivered by Issuer.

(b) Issuer has taken all necessary corporate action to authorize and reserve and to permit it to issue, and at all times from the date hereof through the termination of this Agreement in accordance with its terms will have reserved for issuance, upon the exercise of the Option, that number of shares of Common Stock equal to the maximum number of shares of Common Stock at any time and from time to time issuable hereunder, and all such shares, upon issuance pursuant thereto, will be duly authorized, validly issued, fully paid, nonassessable, and will be delivered free and clear of all claims, liens, encumbrances and security interests and not subject to any preemptive rights.

12. Assignment.

Neither of the parties hereto may assign any of its rights or obligations under this Agreement or the Option created hereunder to any other person without the express written consent of the other party, except that, in the event a Triggering Event shall have occurred prior to an Exercise Termination Event, Grantee, subject to the express provisions hereof, may assign in whole or in part its rights and obligations hereunder following the date of such Triggering Event; provided, however, that until the date 15 days following the date on which the Board of Governors has approved an application by Grantee to acquire the shares of Common Stock subject to the Option, Grantee may not assign its rights under the Option except in (i) a widely dispersed public distribution, (ii) a private placement in which no one party acquires the right to purchase in excess of 2 percent of the voting shares of Issuer, (iii) an assignment to a single party (e.g., a broker or investment banker) for the sole purpose of conducting a widely dispersed public distribution on Grantee's behalf or (iv) any other manner approved by the Board of Governors.

13. Further Assurances.

Each of Grantee and Issuer will use its reasonable best efforts to make all filings with, and to obtain consents of, all third parties (including but not limited to their respective stockholders) and governmental authorities necessary to the consummation of the transactions contemplated by this Agreement.

14. Remedies.

The parties hereto acknowledge that damages would be an inadequate remedy for a breach of this Agreement by either party hereto and that the obligations of the parties hereto shall be enforceable by either party through injunctive or other equitable relief. In connection therewith, both parties waive the posting of any bond or similar requirement.

15. Validity.

If any term, provision, covenant or restriction contained in this Agreement is held by a court or a federal or state regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions and covenants and restrictions contained in this Agreement shall remain in full force and effect, and shall in no way be affected, impaired or invalidated. If for any reason such court or regulatory agency determines that the Holder is not permitted to acquire, or Issuer is not permitted to repurchase pursuant to section 7, the full number of shares of Common Stock provided in section 1(a) hereof (as adjusted pursuant to section 1(b) or section 5 hereof), it is the express intention of Issuer to allow the Holder to acquire or to require Issuer to repurchase such lesser number of shares as may be permissible, without any amendment or modification hereof.

16. Notices.

All notices, requests, claims, demands and other communications hereunder shall be deemed to have been duly given when delivered in the manner and at the respective addresses of the parties set forth in section 12.13 of the Merger Agreement.

17. Governing Law.

This Agreement shall be governed and construed in accordance with the internal laws of the State of Delaware, without regard to the conflict of law principles thereof.

18. Execution.

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

19. Expenses.

Except as otherwise expressly provided herein, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel.

20. Entire Agreement.

Except as otherwise expressly provided herein or in the Merger Agreement, this Agreement contains the entire agreement between the parties with respect to the transactions contemplated

hereunder and supersedes all prior arrangements or understandings in respect thereof, written or oral. The terms and conditions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assignees. Nothing in this Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors except as assignees, any rights, remedies obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

21. Meaning of Terms.

Capitalized terms used in this Agreement and not defined herein shall have the meanings assigned thereto in the Merger Agreement.

IN WITNESS WHEREOF, each of the parties had caused this Agreement to be executed on its behalf by its officers thereunto duly authorized, all as of the date first above written.

NBT BANCORP INC.

By: DARYL R. FORSYTHE

Daryl R. Forsythe
President and Chief Executive Officer

By: JOHN D. ROBERTS

John D. Roberts
Senior Vice President and Secretary

LAKE ARIEL BANCORP, INC.

By: JOHN G. MARTINES

John G. Martines
Chief Executive Officer

By: DONALD E. CHAPMAN

Donald E. Chapman
Secretary

EXHIBIT 2.4

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") made and entered into this [ ] day of [ ], 1999, by and between JOHN G. MARTINES ("Executive") and NBT BANCORP INC., a Delaware corporation having its principal office in Norwich, New York ("NBTB")

W I T N E S S E T H T H A T :

WHEREAS, the Agreement and Plan of Merger (the "Merger Agreement") dated as of August 16, 1999 by and between NBTB and Lake Ariel Bancorp, Inc., a Pennsylvania corporation having its principal office in Lake Ariel, Pennsylvania ("LABN"), provides that LABN will be merged with and into NBTB (the "Merger");

WHEREAS, Executive is the president and chief executive officer of LA Bank, National Association, a national banking association which is a wholly-owned subsidiary of LABN ("LA Bank");

WHEREAS, NBTB desires to secure the employment of Executive upon consummation of the Merger;

WHEREAS, Executive is desirous of entering into the Agreement for such periods and upon the terms and conditions set forth herein; and

WHEREAS, to assist in achieving the objectives of the transactions described in the Merger Agreement, section 4.8 of the Merger Agreement contemplates that Executive will enter into an employment agreement as a condition to the consummation of the transactions described therein.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements hereinafter set forth, intending to be legally bound, the parties agree as follows:

1. Employment; Responsibilities and Duties.

(a) Contingent upon the occurrence of the Merger, NBTB hereby agrees to cause LA Bank to employ Executive, and Executive hereby agrees to serve as president and chief executive officer of LA Bank during the Term of Employment. Executive shall have such duties, responsibilities, and authority as shall be set forth in the bylaws of LA Bank on the date of this Agreement or as may otherwise be determined by NBTB or by LA Bank. During the Term of Employment, Executive shall report directly to the chief executive officer of NBTB.

(b) Contingent upon the occurrence of the Merger, NBTB hereby agrees to cause Executive to be reelected to the board of directors of LA Bank for successive terms throughout the Term of Employment.

(c) Executive shall devote his full working time and best efforts to the performance of his responsibilities and duties hereunder and to the retention of the customer relationships to which LA Bank has been a party prior to the date of this Agreement and the expansion of the customer relationships of LA Bank subsequent to the date of this Agreement. During the Term of Employment, Executive shall not, without the prior written consent of the Board of Directors of LA Bank, render services as an employee, independent contractor, or otherwise, whether or not compensated, to any person or entity other than LA Bank or its affiliates; provided that Executive may, where involvement in such activities does not individually or in the aggregate significantly interfere with the performance by Executive of his duties or violate the provisions of section 4 hereof, (i) render services to charitable organizations, (ii) manage his personal investments, and (iii) with the prior permission of the Board of Directors of NBTB, hold such other directorships or part-time academic appointments or have such other business affiliations as would otherwise be prohibited under this section 1.

2. Term of Employment.

(a) The term of this Agreement ("Term of Employment") shall be the period commencing on the first business day following the date of the Merger (the "Commencement Date") and continuing until the Termination Date, which shall

mean the earliest to occur of:

(i) the third anniversary of the Commencement Date, unless the Term of Employment shall be extended for one additional year by Executive, upon written notice provided by Executive to NBTB not later than nine months prior to the third anniversary of the Commencement Date;

(ii) the death of Executive;

(iii) Executive's inability to perform his duties hereunder, as a result of physical or mental disability as reasonably determined by the personal physician of Executive, for a period of at least 180 consecutive days or for at least 180 days during any period of twelve consecutive months during the Term of Employment; or

(iv) the discharge of Executive by NBTB "for cause," which shall mean one or more of the following:

(A) any willful or gross misconduct by Executive with respect to the business and affairs of NBTB or LA Bank, or with respect to any of its affiliates for which Executive is assigned material responsibilities or duties;

(B) the conviction of Executive of a felony (after the earlier of the expiration of any applicable appeal period without perfection of an appeal by Executive or the denial of any appeal as to which no further appeal or review is available to Executive) whether or not committed in the course of his employment by NBTB;

(C) Executive's willful neglect, failure, or refusal to carry out his

duties hereunder in a reasonable manner (other than any such failure resulting from disability or death or from termination by Executive for Good Reason, as hereinafter defined); or

(D) the breach by Executive of any representation or warranty in section 6(a) hereof or of any agreement contained in section 1, 4, 5, or 6(b) hereof, which breach is material and adverse to NBTB or LA Bank or any of its affiliates for which Executive is assigned material responsibilities or duties; or

(v) Executive's resignation from his position as chief executive officer of LA Bank other than for "Good Reason," as hereinafter defined; or

(vi) the termination of Executive's employment by NBTB "without cause," which shall be for any reason other than those set forth in subsections (i), (ii), (iii), (iv), or (v) of this section 2(a), at any time, upon the thirtieth day following notice to Executive; or

(vii) Executive's resignation for "Good Reason."

"Good Reason" shall mean, without Executive's express written consent, reassignment of Executive to a position other than as president and chief executive officer of LA Bank other than for "Cause," or a decrease in the amount of Executive's salary from the amount established in section 3(a) hereof.

(b) In the event that the Term of Employment shall be terminated for any reason other than that set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive, upon the occurrence of any such event:

(i) any salary (as hereinafter defined) payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date; and

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(e) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(c) hereof.

(c) In the event that the Term of Employment shall be terminated for the reason set forth in section 2(a)(vi) or 2(a)(vii) hereof, Executive shall be entitled to receive:

(i) for the period commencing on the date immediately following the Termination Date and ending upon and including the third anniversary of the Commencement Date, salary payable at the rate established pursuant to section 3(a)(i) hereof, in a manner consistent with the normal payroll practices of LA Bank with respect to executive personnel as presently in effect or as they may be modified by LA Bank from time to time; and

(ii) such rights as Executive may have accrued as of the Termination Date

under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(e) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(c) hereof.

(d) Any provision of this section 2 to the contrary notwithstanding, in the event that the employment of Executive with NBTB or LA Bank is terminated in any situation described in section 3 of the change-in-control letter agreement dated [ ] between NBTB and Executive (the "Change-in-Control Agreement") so as to entitle Executive to a severance payment and other benefits described in section 3 of the Change-in-Control Agreement, then Executive shall be entitled to receive the following, and no more, under this section 2:

(i) any salary payable pursuant to section 3(a)(i) hereof which shall have accrued as of the Termination Date;

(ii) such rights as Executive shall have accrued as of the Termination Date under the terms of any plans or arrangements in which he participates pursuant to section 3(b) hereof, any right to reimbursement for expenses accrued as of the Termination Date payable pursuant to section 3(e) hereof, and the right to receive the cash equivalent of paid annual leave and sick leave accrued as of the Termination Date pursuant to section 3(c) hereof; and

(iii) the severance payment and other benefits provided in the Change-in-Control Agreement.

3. Compensation. For the services to be performed by Executive for LA Bank under this Agreement, Executive shall be compensated in the following manner:

(a) Salary. During the Term of Employment:

(i) LA Bank shall pay Executive a salary which, on an annual basis, shall not be less than $230,000, assuming Executive performs competently. Salary shall be payable in accordance with the normal payroll practices of LA Bank with respect to executive personnel as presently in effect or as they may be modified by LA Bank from time to time.

(ii) Executive shall be eligible to be considered for salary increases, upon review, in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(iii) Executive shall be eligible to be considered for performance bonuses of up to 75 percent of salary (with his performance evaluated primarily based upon the performance of LA Bank, and secondarily based upon the performance of NBTB taken as a whole), in accordance with the compensation policies of NBTB with respect to executive personnel as presently in effect or as they may be modified by NBTB from time to time.

(b) Employee Benefit Plans or Arrangements. During the Term of Employment, Executive shall be entitled to participate in all employee benefit plans of NBTB, as presently in effect or as they may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, including, without limitation, plans providing retirement benefits, stock options, medical insurance, life insurance, disability insurance, and accidental death or dismemberment insurance, provided that there be no duplication of such benefits as are provided under any other provision of this Agreement. During the Term of Employment, medical insurance for Executive will be procured through the same carrier that provided insurance coverage to Executive as an employee of LA Bank as of June 30, 1999, or from such other insurance carrier as shall be mutually acceptable to Executive and NBTB.

(c) Supplemental Executive Retirement Plans. NBTB shall assume and continue in effect the LA Bank, N.A. Salary Continuation Agreement between LA Bank and Executive dated March 7, 1997, the Supplementary Retirement Benefit Agreement between LA Bank and Martines dated January 6, 1995, and the Salary Continuation Agreement between LA Bank and Martines dated May 5, 1989, and, in return therefor, Executive renounces entitlement to benefits under any supplemental executive retirement plan to which he would otherwise be entitled as an executive of NBTB or an affiliate of NBTB.

(d) Vacation and Sick Leave. During the Term of Employment, Executive shall be entitled to paid annual vacation periods and sick leave in accordance with the policies of NBTB as in effect as of the Commencement Date or as may be modified by NBTB from time to time as may be applicable to officers of Executive's rank employed by NBTB or its affiliates, but in no event less than four weeks of paid vacation per year.

(e) Automobile. During the Term of Employment, Executive shall be entitled to the use of an automobile owned by LA Bank, the make, model, and year of which automobile shall be appropriate to an officer of Executive's rank employed by NBTB or its affiliates. Executive shall be responsible for all expenses of ownership and use of such automobile, subject to reimbursement of expenses for business use in accordance with section 3(h).

(f) Country Club Dues. During the Term of Employment, Executive shall be reimbursed for dues and assessments incurred in relation to Executive's membership at Country Club of Scranton.

(g) Life Insurance. During the Term of Employment, life insurance paid by LA Bank on the life of Executive for the benefit of his designated beneficiary or beneficiaries shall be maintained at no less than the level of insurance maintained as of June 30, 1999.

(h) Withholding. All compensation to be paid to Executive hereunder shall be subject to required withholding and other taxes.

(i) Expenses. During the Term of Employment, Executive shall be reimbursed for reasonable travel and other expenses incurred or paid by Executive in connection with the performance

of his services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may from time to time be requested, in accordance with such policies of NBTB as are in effect as of the Commencement Date and as may be modified by NBTB from time to time, under such terms as may be applicable to officers of Executive's rank employed by NBTB or its affiliates.

4. Confidential Business Information; Non-Competition.

(a) Executive acknowledges that certain business methods, creative techniques, and technical data of NBTB and its affiliates and the like are deemed by NBTB to be and are in fact confidential business information of NBTB or its affiliates or are entrusted to third parties. Such confidential information includes but is not limited to procedures, methods, sales relationships developed while in the service of NBTB or its affiliates, knowledge of customers and their requirements, marketing plans, marketing information, studies, forecasts, and surveys, competitive analyses, mailing and marketing lists, new business proposals, lists of vendors, consultants, and other persons who render service or provide material to NBTB or LA Bank or their affiliates, and compositions, ideas, plans, and methods belonging to or related to the affairs of NBTB or LA Bank or their affiliates. In this regard, NBTB asserts proprietary rights in all of its business information and that of its affiliates except for such information as is clearly in the public domain. Notwithstanding the foregoing, information that would be generally known or available to persons skilled in Executive's fields shall be considered to be "clearly in the public domain" for the purposes of the preceding sentence. Executive agrees that he will not disclose or divulge to any third party, except as may be required by his duties hereunder, by law, regulation, or order of a court or government authority, or as directed by NBTB, nor shall he use to the detriment of NBTB or its affiliates or use in any business or on behalf of any business competitive with or substantially similar to any business of NBTB or LA Bank or their affiliates, any confidential business information obtained during the course of his employment by LA Bank. The foregoing shall not be construed as restricting Executive from disclosing such information to the employees of NBTB or LA Bank or their affiliates.

(b) Executive hereby agrees that from the Commencement Date until the second anniversary of the Termination Date, Executive will not (i) engage in the banking business other than on behalf of NBTB or LA Bank or their affiliates within the Market Area (as hereinafter defined), (ii) directly or indirectly own, manage, operate, control, be employed by, or provide management or consulting services in any capacity to any firm, corporation, or other entity (other than NBTB or LA Bank or their affiliates) engaged in the banking business in the Market Area, or (iii) directly or indirectly solicit or otherwise intentionally cause any person known to Executive to be an employee, officer, or member of the respective Boards of Directors of LA Bank or any of its affiliates to engage in any action prohibited under (i) or (ii) of this section 4(b); provided that the ownership by Executive as an investor of not more than five percent of the outstanding shares of stock of any corporation, or the shares of any investment company as defined in section 3 of the Investment Company Act of 1940, as amended, shall not in itself constitute a violation of Executive's obligations under this section 4(b).

(c) Executive acknowledges and agrees that irreparable injury will result to NBTB in the event of a breach of any of the provisions of this section 4 (the "Designated Provisions") and that

NBTB will have no adequate remedy at law with respect thereto. Accordingly, in the event of a material breach of any Designated Provision, and in addition to any other legal or equitable remedy NBTB or LA Bank may have, NBTB shall be entitled to the entry of a preliminary and permanent injunction (including, without limitation, specific performance) by a court of competent jurisdiction in Chenango County, New York, Wayne County, Pennsylvania, or elsewhere, to restrain the violation or breach thereof by Executive, and Executive submits to the jurisdiction of such court in any such action.

(d) It is the desire and intent of the parties that the provisions of this section 4 shall be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this section 4 shall be adjudicated to be invalid or unenforceable, such provision shall be deemed amended to delete therefrom the portion thus adjudicated to be invalid or unenforceable, such deletion to apply only with respect to the operation of such provision in the particular jurisdiction in which such adjudication is made. In addition, should any court determine that the provisions of this section 4 shall be unenforceable with respect to scope, duration, or geographic area, such court shall be empowered to substitute, to the extent enforceable, provisi
ons similar
hereto or other provisions so as to provide to NBTB, to the fullest extent permitted by applicable law, the benefits intended by this section 4.

(e) As used herein, "Market Area" shall mean the area or areas delineated by circles formed by radii extending twenty-five miles from (i) the head office of LA Bank, (ii) the authorized branches of LA Bank as they may exist from time to time, and (iii) each branch of a depository institution affiliated with LA Bank for which Executive has or has had significant executive or managerial responsibilities.

5. Life Insurance. In light of the unusual abilities and experience of Executive, NBTB in its discretion may apply for and procure as owner and for its own benefit insurance on the life of Executive, in such amount and in such form as NBTB may choose. NBTB shall make all payments for such insurance and shall receive all benefits from it. Executive shall have no interest whatsoever in any such policy or policies but, at the request of NBTB, shall submit to medical examinations and supply such information and execute such documents as may reasonably be required by the insurance company or companies to which NBTB has applied for insurance.

6. Representations and Warranties.

(a) Executive represents and warrants to NBTB that his execution, delivery, and performance of this Agreement will not result in or constitute a breach of or conflict with any term, covenant, condition, or provision of any commitment, contract, or other agreement or instrument, including, without limitation, any other employment agreement, to which Executive is or has been a party.

(b) Executive shall indemnify, defend, and hold harmless NBTB for, from, and against any and all losses, claims, suits, damages, expenses, or liabilities, including court costs and counsel fees, which NBTB has incurred or to which NBTB may become subject, insofar as such losses,

claims, suits, damages, expenses, liabilities, costs, or fees arise out of or are based upon any failure of any representation or warranty of Executive in section 6(a) hereof to be true and correct when made.

7. Notices. All notices, consents, waivers, or other communications which are required or permitted hereunder shall be in writing and deemed to have been duly given if delivered personally or by messenger, transmitted by telex or telegram, by express courier, or sent by registered or certified mail, return receipt requested, postage prepaid. All communications shall be addressed to the appropriate address of each party as follows:

If to NBTB:

NBT Bancorp Inc.
52 South Broad Street
Norwich, New York 13815

Attention: Mr. Daryl R. Forsythe
President and Chief Executive Officer

With a required copy to:

Brian D. Alprin, Esq.
Duane, Morris & Heckscher LLP
1667 K Street, N.W., Suite 700
Washington, D.C. 20006

If to Executive:

Mr. John G. Martines
R.D. 1, Box 824
Carbondale, Pennsylvania 18407

All such notices shall be deemed to have been given on the date delivered, transmitted, or mailed in the manner provided above.

8. Assignment. Neither party may assign this Agreement or any rights or obligations hereunder without the consent of the other party.

9. Governing Law. This Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Delaware, without giving effect to the principles of conflict of law thereof. The parties hereby designate the Chancery Court in New Castle County, Delaware to be the proper jurisdiction and venue for any suit or action arising out of this Agreement. Each of the parties consents to personal jurisdiction in such venue for such a proceeding and agrees that it may be served with process in any action with respect to this Agreement or the transactions contemplated thereby by certified or registered mail, return receipt requested, or to its registered agent for service of

process in the State of Delaware. Each of the parties irrevocably and unconditionally waives and agrees, to the fullest extent permitted by law, not to plead any objection that it may now or hereafter have to the laying of venue or the convenience of the forum of any action or claim with respect to this Agreement or the transactions contemplated thereby brought in the courts aforesaid.

10. Entire Agreement. This Agreement constitutes the entire understanding among NBTB, LA Bank, and Executive relating to the subject matter hereof. Any previous agreements or understandings between the parties hereto or between Executive and LA Bank or any of its affiliates regarding the subject matter hereof, including without limitation the terms and conditions of employment, compensation, benefits, retirement, competition following employment, and the like, are merged into and superseded by this Agreement. Neither this Agreement nor any provisions hereof can be modified, changed, discharged, or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge, or termination is sought.

11. Illegality; Severability.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement is not intended and shall not be construed to require any payment to Executive which would violate any federal or state statute or regulation, including without limitation the "golden parachute payment regulations" of the Federal Deposit Insurance Corporation codified to Part 359 of title 12, Code of Federal Regulations.

(b) If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever:

(i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby; and

(ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provisions held to be invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal, or unenforceable.

12. Arbitration. Subject to the right of each party to seek specific performance (which right shall not be subject to arbitration), if a dispute arises out of or related to this Agreement, or the breach thereof, such dispute shall be referred to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA"). A dispute subject to the provisions of this section will exist if either party notifies the other party in writing that a dispute subject to arbitration exists and states, with reasonable specificity, the issue subject to arbitration (the "Arbitration Notice"). The parties agree that, after the issuance of the Arbitration Notice, the parties will try in good faith to resolve the dispute by mediation in accordance with the Commercial Rules of Arbitration of AAA between the date of the issuance of the Arbitration Notice and the date the dispute

is set for arbitration. If the dispute is not settled by the date set for arbitration, then any controversy or claim arising out of this Agreement or the breach hereof shall be resolved by binding arbitration and judgment upon any award rendered by arbitrator(s) may be entered in a court having jurisdiction. Any person serving as a mediator or arbitrator must have at least ten years' experience in resolving commercial disputes through arbitration. In the event any claim or dispute involves an amount in excess of $100,000, either party may request that the matter be heard by a panel of three arbitrators; otherwise all matters subject to arbitration shall be heard and resolved by a single arbitrator. The arbitrator shall have the same power to compel the attendance of witnesses and to order the production of documents or other materials and to enforce discovery as could be exercised by a United States District Court judge sitting in the Northern District of New York. In the event of any arbitration, each party shall have a reasonable right to conduct discovery to the same extent permitted by the Federal Rules of Civil Procedure, provided that such discovery shall be concluded within ninety days after the date the matter is set for arbitration. In the event of any arbitration, the arbitrator or arbitrators shall have the power to award reasonable attorney's fees to the prevailing party. Any provision in this Agreement to the contrary notwithstanding, this section shall be governed by the Federal Arbitration Act and the parties have entered into this Agreement pursuant to such Act.

13. Costs of Litigation. In the event litigation is commenced to enforce any of the provisions hereof, or to obtain declaratory relief in connection with any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorney's fees. In the event this Agreement is asserted in any litigation as a defense to any liability, claim, demand, action, cause of action, or right asserted in such litigation, the party prevailing on the issue of that defense shall be entitled to recovery of reasonable attorney's fees.

14. Affiliation. A company will be deemed to be "affiliated" with NBTB or LA Bank according to the definition of "Affiliate" set forth in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended.

15. Headings. The section and subsection headings herein have been inserted for convenience of reference only and shall in no way modify or restrict any of the terms or provisions hereof.

16. Agreement Contingent Upon Merger. This Agreement is contingent upon the occurrence of the Merger and, if the Merger fails to occur, this Agreement will be null and void and of no past or future effect.

IN WITNESS WHEREOF, the parties hereto executed or caused this Agreement to be executed as of the day and year first above written.

NBT BANCORP INC.

By:

Daryl R. Forsythe
President and Chief Executive Officer

JOHN G. MARTINES

EXHIBIT 2.5

CHANGE-IN-CONTROL AGREEMENT

[ ], 1999

[ ]
[ ]
[ ]

Dear Mr. [ ]:

NBT Bancorp Inc. (which, together with its wholly-owned subsidiaries, NBT Bank, National Association and LA Bank, National Association, is referred to as the "Company") considers the stability of its key management group to be essential to the best interests of the Company and its shareholders. The Company recognizes that, as is the case with many publicly-held corporations, the possibility of a change in control may arise and that the attendant uncertainty may result in the departure or distraction of key management personnel to the detriment of the Company and its shareholders.

Accordingly, the Board of Directors of the Company (the "Board") has determined that appropriate steps should be taken to encourage members of the Company's key management group to continue as employees notwithstanding the possibility of a change in control of the Company.

The Board also believes it important that, in the event of a proposal for transfer of control of the Company, you be able to assess the proposal and advise the Board without being influenced by the uncertainties of your own situation.

In order to induce you to remain in the employ of the Company, this Agreement, which has been approved by the Board, sets forth the severance compensation which the Company agrees will be provided to you in the event your employment with the Company is terminated subsequent to a "change in control" of the Company under the circumstances described below.

1. Agreement to Provide Services; Right to Terminate.

(a) Termination Prior to Certain Offers. Except as otherwise provided in paragraph (b) below, or in any written employment agreement between you and the Company, the Company or you may terminate your employment at any time. If, and only if, such termination occurs after a change in control of the Company (as defined in section 6), the provisions of this Agreement regarding the payment of severance compensation and benefits shall apply.

(b) Termination Subsequent to Certain Offers. In the event a tender offer or exchange offer is made by a person (as defined in section 6) for more than 30 percent of the combined voting

power of the Company's outstanding securities ordinarily having the right to vote at elections of directors ("Voting Securities"), including shares of common stock, no par value, of the Company (the "Company Shares"), you agree that you will not leave the employ of the Company (other than as a result of Disability as such term is defined in section 6) and will render services to the Company in the capacity in which you then serve until such tender offer or exchange offer has been abandoned or terminated or a change in control of the Company has occurred as a result of such tender offer or exchange offer. If, during the period you are obligated to continue in the employ of the Company pursuant to this section 1(b), the Company reduces your compensation, your obligations under this section 1(b) shall thereupon terminate.

2. Term of Agreement. This Agreement shall commence on the date hereof and shall continue in effect until the third anniversary of the date hereof; provided, however, that commencing on the first anniversary of the date hereof, and each such anniversary thereafter, the remaining term of this Agreement shall automatically be extended for one additional year (to a total of three years) unless at least 90 days prior to such anniversary, the Company or you shall have given notice that this Agreement shall not be extended; and provided, however, that if a change in control of the Company shall occur while this Agreement is in effect, this Agreement shall automatically be extended for 24 months from the date the change in control occurs. This Agreement shall terminate if you or the Company terminates your employment prior to a change in

control of the Company but without prejudice to any remedy the Company may have for breach of your obligations, if any, under section 1(b).

3. Severance Payment and Benefits If Termination Occurs Following Change in Control for Disability, Without Cause, or With Good Reason. If, within 24 months from the date of occurrence of any event constituting a change in control of the Company (it being recognized that more than one such event may occur in which case the 24-month period shall run from the date of occurrence of each such event), your employment with the Company is terminated (i) by the Company for Disability, (ii) by the Company without Cause, or (iii) by you with Good Reason (as defined in section 6), you shall be entitled to a severance payment and other benefits as follows:

(a) Disability. If your employment with the Company is terminated for Disability, your benefits shall thereafter be determined in accordance with the Company's long-term disability income insurance plan. If the Company's long-term disability income insurance plan is modified or terminated following a change in control, the Company shall substitute such a plan with benefits applicable to you substantially similar to those provided by such plan prior to its modification or termination. During any period that you fail to perform your duties hereunder as a result of incapacity due to physical or mental illness, you shall continue to receive your full base salary at the rate then in effect until your employment is terminated by the Company for Disability.

(b) Termination Without Cause or With Good Reason. If your employment with the Company is terminated without Cause by the Company or with Good Reason by you, then the Company shall pay to you, upon demand, the following amounts (net of applicable payroll taxes):

(i) Your full base salary plus year-to-date accrued vacation through the Date of Termination at the rate in effect on the date the change in control occurs.

(ii) As severance pay, an amount equal to the product of your "Base Amount" multiplied by the number [ ].(1) As used in the previous sentence, your "Base Amount" is your average annual compensation includible in your gross income for federal income tax purposes for the five years immediately preceding the year in which the change in control occurs (or, if you shall have been employed by the Company for less than those five years, for the number of those years during which you shall have been employed by the Company, with any partial year annualized), including base salary, non-deferred amounts under annual incentive, long-term performance, and profit-sharing plans, distributions of previously deferred amounts under such plans, and ordinary income recognized with respect to stock options.

(c) Related Benefits. Unless you die or your employment is terminated by the Company for Cause or Disability, or by you other than for Good Reason, the Company shall maintain in full force and effect, for the continued benefit of you for one year after the Date of Termination, all noncash employee benefit plans, programs, or arrangements (including, without limitation, pension and retirement plans and arrangements, stock option plans, life insurance and health and accident plans and arrangements, medical insurance plans, disability plans, and vacation plans) in which you were entitled to participate immediately prior to the Date of Termination provided that your continued participation is possible after Termination under the general terms and provisions of such plans, programs, and arrangements; provided, however, that if you become eligible to participate in a benefit plan, program, or arrangement of another employer which confers substantially similar benefits upon you, you shall cease to receive benefits under this subsection in respect of such plan, program, or arrangement. In the event that your participation in any such plan, program, or arrangement is barred, the Company shall arrange to provide you with benefits substantially similar to those which you are entitled to receive under such plans, programs and arrangements.

4. Payment If Termination Occurs Following Change In Control, Because of Death, For Cause, or Without Good Reason. If your employment shall be terminated following any event constituting a change in control of the Company because of your death, or by the Company for Cause, or by you other than for Good Reason, the Company shall pay you your full base salary plus year-to-date accrued vacation through the Date of Termination at the rate in effect on the date of the change in control occurs. The Company shall have no further obligations to you under this Agreement.

5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise, nor, except as expressly set forth herein, shall the amount of any payment provided for in this Agreement be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise.

6. Definitions of Certain Terms. For the purpose of this Agreement, the terms defined

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1 [John G. Martines: insert "2.99."]
[Louis M. Martarano: insert "2."]
[Joseph J. Earyes: insert "2."]

in this section 6 shall have the meanings assigned to them herein.

(a) Cause. Termination of your employment by the Company for "Cause" shall mean termination because, and only because, you committed an act of fraud, embezzlement, or theft constituting a felony or an act intentionally against the interests of the Company which causes the Company material injury. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct constituting Cause as defined above and specifying the particulars thereof in detail.

(b) Change in Control. A "Change in Control" of the Company shall mean:

(i) A change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A as in effect on the date hereof pursuant to the Securities Exchange Act of 1934 (the "Exchange Act"); provided that, without limitation, such a change in control shall be deemed to have occurred at such time as any Person hereafter becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 30 percent or more of the combined voting power of the Company's Voting Securities; or

(ii) During any period of two consecutive years, individuals who at the beginning of such period constitute the Board cease for any reason to constitute at least a majority thereof unless the election, or the nomination for election by the Company's shareholders, of each new director was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period; or

(iii) There shall be consummated (x) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation or pursuant to which Voting Securities would be converted into cash, securities, or other property, other than a merger of the Company in which the holders of Voting Securities immediately prior to the merger have the same proportionate ownership of common stock of the surviving corporation immediately after the merger, or (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all, or substantially all of the assets of the Company, provided that any such consolidation, merger, sale, lease, exchange or other transfer consummated at the insistence of an appropriate banking regulatory agency shall not constitute a change in control; or

(iv) Approval by the shareholders of the Company of any plan or proposal for the liquidation or dissolution of the Company.

(c) Date of Termination. "Date of Termination" shall mean (i) if your employment is terminated by the Company for Disability, 30 days after Notice of Termination is given (provided that you shall not have returned to the performance of your duties on a full-time basis during such 30-day

period), and (ii) if your employment is terminated for any other reason, the date on which a Notice of Termination is given; provided that if within 30 days after any Notice of Termination is given the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties or by a final judgment, order, or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected). The term of this Agreement shall be extended until the Date of Termination.

(d) Disability. Termination of your employment by the Company for "Disability" shall mean termination because of your absence from your duties with the Company on a full-time basis for 180 consecutive days as a result of your incapacity due to physical or mental illness and your failure to return to the performance of your duties on a full-time basis during the 30-day period after Notice of Termination is given.

(e) Good Reason. Termination by you of your employment for "Good Reason" shall mean termination based on any of the following:

(i) A change in your status or position(s) with the Company, which in your reasonable judgment, does not represent a promotion from your status or position(s) as in effect immediately prior to the change in control, or a change in your duties or responsibilities which, in your reasonable judgment, is inconsistent with such status or position(s), or any removal of you from, or any failure to reappoint or reelect you to, such position(s), except in connection with the termination of your employment for Cause or Disability or as a result of your death or by you other than for Good Reason.

(ii) A reduction by the Company in your base salary as in effect immediately prior to the change in control.

(iii) The failure by the Company to continue in effect any Plan (as hereinafter defined) in which you
are participating at the time of the change in control of the Company (or Plans providing you with at least substantially similar benefits) other than as a result of the normal expiration of any such Plan in accordance with its terms as in effect at the time of the change in control, or the taking of any action, or the failure to act, by the Company which would adversely affect your continued participation in any of such Plans on at least as favorable a basis to you as is the case on the date of the change in control or which would materially reduce your benefits in the future under any of such Plans or deprive you of any material benefit enjoyed by you at the time of the change in control.

(iv) The failure by the Company to provide and credit you with the number of paid vacation days to which you are then entitled in accordance with the Company's normal vacation policy as in effect immediately prior to the change in control.

(v) The Company's requiring you to be based anywhere other than where your office is located immediately prior to the change in control except for required travel on the Company's business to an extent substantially consistent with the business travel obligations which you undertook on behalf of the Company prior to the change in control.

(vi) The failure by the Company to obtain from any successor the assent to this Agreement contemplated by section 8 hereof.

(vii) Any purported termination by the Company of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of this Agreement; and for purposes of this Agreement, no such purported termination shall be effective.

(viii) Any refusal by the Company to continue to allow you to attend to matters or engage in activities not directly related to the business of the Company which, prior to the change in control, you were permitted by the Board to attend to or engage in.

For purposes of this subsection, "Plan" shall mean any compensation plan such as an incentive or stock option plan or any employee benefit plan such as a thrift, pension, profit sharing, medical, disability, accident, life insurance plan, or a relocation plan or policy or any other plan, program, or policy of the Company intended to benefit employees.

(f) Notice of Termination. A "Notice of Termination" of your employment given by the Company shall mean a written notice given to you of the termination of your employment which shall indicate the specific termination provision in this Agreement relied upon, and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated.

(g) Person. The term "Person" shall mean and include any individual, corporation, partnership, group, association, or other "person," as such term is used in section 14(d) of the Exchange Act, other than the Company or any employee benefit plan(s) sponsored by the Company.

7. Notice. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to the Company shall be directed to the attention of the Chief Executive Officer of the Company with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

8. Successors; Binding Agreement.

(a) This Agreement shall inure to the benefit of, and be binding upon, any corporate or other successor or assignee of the Company which shall acquire, directly or indirectly, by merger, consolidation or purchase, or otherwise, all or substantially all of the business or assets of the Company. The Company shall require any such successor, by an agreement in form and substance satisfactory to you, expressly to assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform if no such succession had taken place.

(b) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee, or other designee or, if there is no such designee, to your estate.

9. Increased Severance Payments Upon Application of Excise Tax.

(a) Adjustment of Payment. In the event any payments or benefits you become entitled to pursuant to the Agreement or any other payments or benefits received or to be received by you in connection with a change in control of the Company or your termination of employment (whether pursuant to the terms of any other agreement, plan, or arrangement, or otherwise, with the Company, any person whose actions result in a change in control or any person affiliated with the Company or such person) (collectively the "Severance Payments") will be subject to the tax (the "Excise Tax") imposed by section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), the Company shall pay you an additional amount (the "Gross-Up Payment") so that the net amount retained by you, after deduction of the Excise Tax (but before deduction for any federal, state or local income tax) on the Severance Payments and after deduction for the aggregate of any federal, state, or local income tax and Excise Tax upon the gross-Up Payment, shall be equal to the Severance Payments. For purposes of determining whether any of the Severance Payments will be subject to the Excise Tax and the amount of such Excise Tax, (i) the entire amount of the Severance Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code and as subject to the Excise Tax, unless and to the extent, in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payments (in whole or in part) are not subject to the Excise Tax; and (ii) the value of any noncash benefits or any deferred payment or benefit (constituting a part of the Severance Payments) shall be determined by the Company's independent auditors in accordance with the principles of sections 280G(d)(3) and (4) of the Code. For purposes of determining the amount of the Gross-Up Payment, you shall be deemed to pay federal income taxes at the highest marginal rate of the federal income taxation applicable to individuals (without taking into account surtaxes or loss or reduction of deductions) for the calendar year in which the Gross-Up Payment is to be made and state and local income taxes at the highest marginal rates of taxation in the state and locality of your residence on the date of Termination. In the event that the amount of Excise Tax you are required to pay is subsequently determined to be less than the amount taken into account hereunder, you shall repay to the Company promptly after the time that the amount of such reduction in Excise Tax is finally determined the amount of the reduction, together with interest on the amount of such reduction at the rate of 6 percent per annum from the date of the Gross-Up Payment, plus, if in the written opinion of outside tax counsel selected by the Company's independent accountants and reasonably acceptable to you, such payment (or a portion thereof) was not taxable income to you when reported or is deductible by you for federal income tax purposes, the net federal income tax benefit you actually realize as a result of making such payment pursuant to this sentence. In the event that the amount of Excise Tax you are required to pay is subsequently determined to exceed the amount taken into account hereunder, the Company shall make an additional Gross-Up Payment in the manner set forth above in respect of such excess (plus any interest, additions

to tax, or penalties payable by you with respect to such excess) promptly after the time that the amount can be reasonably determined.

(b) Time of Payment: Estimated Payment. The payments provided for in subsection (a) above, shall be made not later than the fifth business day following the Date of Termination; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate, as determined in good faith by the Company, of the minimum amount of such payments, and shall pay the remainder of such payments (together with interest at the rate of 6 percent per annum) as soon as the amount thereof can be determined. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you, payable on the fifth day after demand by the Company (together with interest at the rate of 6 percent per annum).

10. Miscellaneous. No provision of this Agreement may be modified, waived, or discharged unless such modification, waiver, or discharge is agreed to in a writing signed by you and the Chief Executive Officer or President of the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or of compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same, or at any prior or subsequent, time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction, and performance of this Agreement shall be governed by laws of the State of New York without giving effect to the principles of conflict of laws thereof.

11. Legal Fees and Expenses. The Company shall pay or reimburse any reasonable legal fees and expenses you may incur in connection with any legal action to enforce your rights under, or to defend the validity of, this Agreement. The Company will pay or reimburse such legal fees and expenses on a regular, periodic basis upon presentation by you of a statement or statements prepared by your counsel in accordance with its usual practices.

12. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

13. Payments During Controversy. Notwithstanding the pendency of any dispute or controversy, the Company will continue to pay you your full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and installments of incentive compensation) and continue you as a participant in all compensation, benefit, and insurance plans in which you were participating when the notice giving rise to the dispute was given, until the dispute is finally resolved in accordance with section 7(c). Amounts paid under this section are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under this Agreement. You shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising

under or in connection with this Agreement.

If this letter correctly sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter, which will then constitute our agreement on this subject.

Very truly yours,

NBT BANCORP INC.

By: _____
Daryl R. Forsythe
President and Chief Executive Officer

AGREED TO:

- _____
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