

CONFIDENTIAL

PLAN AND AGREEMENT OF MERGER

BETWEEN

GLACIER BANCORP, INC.

AND

CITIZENS DEVELOPMENT COMPANY

DATED AS OF APRIL 20, 2006

**PLAN AND AGREEMENT OF MERGER
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GLACIER BANCORP, INC. AND CITIZENS DEVELOPMENT COMPANY**

This Plan and Agreement of Merger (the "Agreement"), dated as of April 20, 2006, is made by and between GLACIER BANCORP, INC. ("Glacier"), acting on its own behalf and on behalf of a Montana corporation to be formed by Glacier pursuant to this Agreement ("Holdings"), and CITIZENS DEVELOPMENT COMPANY ("CDC").

PREAMBLE

The management and boards of directors of Glacier and CDC believe that the proposed Merger, to be accomplished in the manner set forth in this Agreement, is in the best interests of the respective corporations and their shareholders.

RECITALS

A. The Parties and Certain Subsidiaries.

- (1) Glacier is a corporation duly organized and validly existing under Montana law and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended ("BHC Act"). Glacier's principal office is located in Kalispell, Montana.
- (2) Among its wholly owned subsidiaries, Glacier owns all of the outstanding common stock of the following banks: Western Security Bank, a Montana state-chartered bank with its principal office in Billings, Montana ("Western Security"); Glacier Bank, a Montana state-chartered bank with its principal office in Kalispell, Montana ("Glacier Bank"); and First Security Bank of Missoula, a Montana state-chartered bank with its principal office in Missoula, Montana ("First Security").
- (3) Holdings is a corporation to be formed by Glacier under applicable Montana and federal law for purposes of effecting the Merger as described in this Agreement. Upon its formation, Holdings will be a wholly owned subsidiary of Glacier.
- (4) CDC is a corporation duly organized and validly existing under Montana law and is a registered bank holding company under the BHC Act. CDC's principal office is located in Billings, Montana.
- (5) CDC owns all of the outstanding capital stock of Citizens State Bank, a Montana state-chartered bank with its principal office in Hamilton, Montana ("CSB-Hamilton"), and more than 80% of the outstanding capital stock of the following banks: First Citizens Bank of Billings, a Montana state-chartered bank with its principal office in Billings, Montana ("FCB-Billings"); First National Bank of Lewistown, a national banking association with its principal office in Lewistown, Montana ("FNB-Lewistown"); Western Bank of Chinook, N.A., a national banking association with its principal office in Chinook, Montana ("WB-Chinook"); and First Citizens Bank, N.A., a national banking association with its principal office in Columbia Falls, Montana ("FCB-Columbia Falls").

B. The Transaction.

- (1) Promptly following execution of this Agreement, Glacier will cause the formation of Holdings as a wholly owned subsidiary of Glacier.
- (2) On the Effective Date, (i) CDC will merge with and into Holdings, with Holdings surviving as a wholly owned subsidiary of Glacier; and (ii) CSB-Hamilton, FCB-Billings, FNB-Lewistown, WB-Chinook and FCB-Columbia Falls (collectively, the “CDC Banks”) will become subsidiaries of Holdings.
- (3) Glacier and CDC anticipate that for an initial transition period following the Effective Date, the CDC Banks will operate as subsidiaries of Holdings. Following such transition period, it is expected that (i) each of FCB-Billings, FNB-Lewistown and WB-Chinook will merge with and into Western Security, with Western Security surviving as a wholly owned subsidiary of Glacier, (ii) FCB – Columbia Falls will merge with and into Glacier Bank, with Glacier Bank surviving as a wholly owned subsidiary of Glacier, (iii) CSB-Hamilton will merge with and into First Security, with First Security surviving as a wholly owned subsidiary of Glacier, and (iv) Holdings will be merged with and into Glacier or otherwise dissolved (each of (i) through (iv), a “CDC Bank Merger”).

C. Board Approvals. The respective boards of directors of Glacier and CDC have approved this Agreement and authorized its execution and delivery.

D. Other Approvals. The Merger is subject to:

- (1) Satisfaction of the conditions described in this Agreement;
- (2) Approval by CDC’s shareholders; and
- (3) Approval or acquiescence, as appropriate, by the Board of Governors of the Federal Reserve System (“Federal Reserve”) and any other agencies having jurisdiction over the Merger.

E. Employment Agreements. Each CDC Bank has entered into or anticipates entering into an employment agreement with such CDC Bank’s President, which agreement will take effect as of the Effective Date.

F. Controlling Shareholder, Director and Executive Officer Agreements. In connection with the parties’ execution of this Agreement, the Trust, the Foundation, and each Executive Officer and director of CDC and the CDC Bank Executive Officers (the “Approving Persons”) have entered into agreements, the forms of which have been approved by Glacier, pursuant to which, among other things, each agrees to vote such holder’s shares of CDC capital stock in favor of the actions contemplated by this Agreement and to refrain from competing with Glacier and/or the CDC Banks and their respective successors for a period of time.

G. CDC Shareholder Agreement. Certain shareholders of CDC are parties to an Amended and Restated Shareholders Agreement, dated February 2, 2004, as amended February 9, 2006, which agreement will be terminated with respect to CDC in connection with the Merger.

- H. Intention of the Parties -- Tax Treatment.** The parties intend for the Merger to qualify, for federal income tax purposes, as a tax-free reorganization under IRC Section 368(a), and the parties hereto hereby adopt this Agreement as a plan of reorganization within the meaning of Sections 1.368-2(g) and as required under 1.368-3(a) of the United States Treasury Regulations.
- I. Transfer of CDC Common Stock from the Trust to the Foundation.** The Foundation may apply to the Federal Reserve Bank of Minneapolis for approval to become a bank holding company, which status would result from the proposed transfer of the CDC Common Stock currently owned by the Trust to the Foundation (the "Foundation Transfer").

AGREEMENT

In consideration of the mutual agreements set forth in this Agreement, Glacier and CDC agree as follows:

DEFINITIONS

The following capitalized terms used in this Agreement will have the following meanings:

“Acquisition Event” means any of the following: (i) a merger, consolidation or similar transaction involving CDC or any successor, (ii) a purchase, lease or other acquisition in one or a series of related transactions of assets of CDC or any of its Subsidiaries representing 25% or more of the consolidated assets of CDC and its Subsidiaries, or (iii) a purchase or other acquisition (including by way of merger, consolidation, share exchange or any similar transaction) in one or a series of related transactions of beneficial ownership of securities representing 50% or more of the voting power of CDC or its Subsidiaries (except for the Foundation Transfer), in each case with or by a person or entity other than Glacier or one of its Subsidiaries.

“Acquisition Proposal” has the meaning assigned to such term in *Section 4.1.11*.

“Agreement” means this Plan and Agreement of Merger.

“ALLL” means allowance for possible loan and lease losses.

“Approving Persons” has the meaning assigned to such term in Recital F.

“Asset Classification” has the meaning assigned to such term in *Section 3.1.16*.

“Average Daily Earnings” has the meaning assigned to such term in *Section 1.2.3*.

“Base Consideration” means \$77 million.

“BHC Act” has the meaning assigned to such term in Recital A.

“Break-Up Fee” has the meaning assigned to such term in *Section 7.7*.

“Business Day” means any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions located in the State of Montana are required by law to remain closed.

“CDC” is Citizens Development Company, a Montana corporation that has its principal place of business in Billings, Montana, and that is a bank holding company registered pursuant to the BHC Act.

“CDC Banks” has the meaning assigned to such term in Recital B.

“CDC Bank Merger” has the meaning assigned to such term in Recital B.

“CDC Common Stock” means the shares of CDC Class A common stock, no par value, and the shares of CDC Class B common stock, no par value, issued and outstanding from time to time.

“CDC Contract” has the meaning assigned to such term in *Section 3.1.2*.

“CDC Financial Statements” means CDC’s (i) audited consolidated balance sheet as of February 28, 2006; (ii) unaudited consolidated balance sheet as of the end of each fiscal quarter following December 31, 2005 but preceding the Execution Date, and the related unaudited consolidated statements of income, cash flows and changes in shareholders’ equity for each such quarter; and (iii) unaudited consolidated balance sheets and related consolidated statements of income and shareholders’ equity for each of the fiscal quarters ending after the Execution Date and before Closing or the Termination Date, as the case may be.

“CDC Meeting” has the meaning assigned in *Section 4.2.2*.

“CDC Transaction Fees” has the meaning assigned to such term in *Section 5.2.3*.

“Certificate” has the meaning assigned to such term in *Section 1.7.1*.

“Closing” means the closing of the Merger contemplated by this Agreement, as more fully specified in *Section 2.2*.

“Combination Election Shares” has the meaning assigned to such term in *Section 1.3.2*.

“Commissioner” means the Commissioner of the Division of Banking and Financial Institutions for the State of Montana.

“Compensation Plans” has the meaning assigned to such term in *Section 3.1.20*.

“CSB-Hamilton” has the meaning assigned to such term in Recital A(5).

“Daily Sales Price” for any Trading Day means the daily closing price per share of Glacier Common Stock on the NASDAQ Global Market, as reported on the website www.nasdaq.com.

“Determination Date” means the fifth (5th) Business Day immediately preceding the Effective Date.

“Determination Period” means the five (5) Trading Day period immediately preceding the Determination Date.

“Distribution” has the meaning assigned to such term in *Section 4.1.3*.

“Earnings Adjustment” has the meaning assigned to such term in *Section 1.2.3*.

“Effective Date” means the date on which the Merger takes place, as more fully specified in *Section 2.1*.

“Election Deadline” has the meaning assigned to such term in *Section 1.3.2*.

“Election Form” has the meaning assigned to such term in *Section 1.3.1*.

“Employees” has the meaning assigned to such term in *Section 3.1.20*.

“Environmental Laws” has the meaning assigned to such term in *Section 3.1.7*.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended.

“ERISA Affiliate” means, with respect to CDC, any other entity that is considered one employer with CDC under Section 4001 of ERISA or Section 414 of the IRC.

“Excess Transaction Fees” has the meaning assigned to such term in *Section 1.2.4*.

“Exchange Act” has the meaning assigned to such term in *Section 3.1.5*.

“Exchange Agent” means American Stock Transfer and Trust Co.

“Exchange Fund” has the meaning assigned to such term in *Section 1.6*.

“Execution Date” means the date of this Agreement.

“Executive Officers,” with respect to Glacier, means Michael J. Blodnick and James H. Strosahl.

“Executive Officers,” means, (i) with respect to CDC, its President, and (ii) with respect to each CDC Bank, the President of such CDC Bank.

“Extraordinary Expenses” has the meaning assigned to such term in *Section 1.2.3*.

“FCB-Billings” has the meaning assigned to such term in Recital A(5).

“FCB-Columbia Falls” has the meaning assigned to such term in Recital A(5).

“FDIC” means the Federal Deposit Insurance Corporation.

“Federal Reserve” means the Board of Governors of the Federal Reserve System.

“First Security” has the meaning assigned to such term in Recital A(2).

“FNB-Lewistown” has the meaning assigned to such term in Recital A(5).

“Foundation” means the John T. Vucurevich Foundation.

“Foundation Transfer” has the meaning assigned to such term in Recital I.

“GAAP” means United States generally accepted accounting principles.

“Glacier” is Glacier Bancorp, Inc., a Montana corporation that has its principal place of business in Kalispell, Montana, and that is a bank holding company registered pursuant to the BHC Act.

“Glacier Average Closing Price” means the average Daily Sales Price of Glacier Common Stock for the Determination Period.

“Glacier Bank” has the meaning assigned to such term in Recital A(2).

“Glacier Common Stock” means the shares of Glacier common stock, \$0.01 par value per share, issued and outstanding from time to time.

“Glacier Contract” has the meaning assigned to such term in *Section 3.2.2*.

“Glacier Financial Statements” means Glacier’s (i) audited consolidated balance sheets as of December 31, 2005, 2004 and 2003 and the related audited consolidated statements of income, cash flows and changes in shareholders’ equity for each of the years ended December 31, 2005, 2004 and 2003; (ii) unaudited consolidated balance sheet as of the end of each fiscal quarter following December 31, 2005 but preceding the Execution Date, and the related unaudited consolidated statements of income, cash flows and changes in shareholders’ equity for each such quarter; and (iii) unaudited consolidated balance sheets and related consolidated statements of income and shareholders’ equity for each of the fiscal quarters ending after the Execution Date and before Closing or the Termination Date, as the case may be.

“Glacier Shares” means the shares of Glacier Common Stock to be issued to the holders of CDC Common Stock as Merger Consideration in accordance with *Section 1.2.2*.

“Hazardous Substances” has the meaning assigned to such term in *Section 3.1.7*.

“Holdings” is a Montana corporation that will be formed after the Execution Date as a wholly owned subsidiary of Glacier for purposes of effecting the Merger pursuant to this Agreement.

“Interim Earnings Period” has the meaning assigned to such term in *Section 1.2.3*.

“IRC” means the Internal Revenue Code of 1986, as amended.

“Knowledge” has the following meanings: (i) CDC will be deemed to have “Knowledge” of a particular fact or matter if any Executive Officer of CDC or a CDC Bank has actual knowledge of such fact or matter or if any such person could reasonably be expected to discover or otherwise become aware of such fact or matter in the course of making a reasonable inquiry into such areas of CDC’s and the CDC Banks’ business that are under such individual’s general area of responsibility; and (ii) Glacier will be deemed to have “Knowledge” of a particular fact or matter if any Executive Officer of Glacier has actual knowledge of such fact or matter or if any such person could reasonably be expected to discover or otherwise become aware of such fact or matter in the course of making a reasonable inquiry into such areas of Glacier’s business that are under such individual’s general area of responsibility.

“Leased Real Property” means the real properties subject to Leases as identified in Schedule 3.1.6.

“Leases” means the terms and conditions governing the leasehold interests in the Leased Real Property as identified in Schedule 3.1.6 to this Agreement.

“Liens” means, collectively, liens, pledges, security interests, claims, proxies, preemptive or subscription rights or other encumbrances or restrictions of any kind.

“Material Adverse Effect” with respect to a Person means an effect that: (i) is materially adverse to the business, financial condition, results of operations or prospects of the Person and its Subsidiaries taken as a whole; (ii) significantly and adversely affects the ability of the Person to consummate the

Merger on or by the Termination Date or to perform its material obligations under this Agreement; or (iii) enables any Person to prevent the consummation of the Merger on or by the Termination Date.

“MBCA” means the Montana Business Corporations Act, as amended.

“Merger” means the merger of CDC with and into Holdings or, if Glacier so elects, the merger of CDC with and into Glacier.

“Merger Consideration” means the aggregate consideration contemplated by *Section 1.2.2*.

“OCC” means the Office of the Comptroller of the Currency.

“PCAOB” means the Public Company Accounting Oversight Board.

“Pension Plan” has the meaning assigned to such term in *Section 3.1.20*.

“Per Share Cash Consideration” means cash in an amount equal to the Per Share Consideration.

“Per Share Consideration” means the quotient, rounded to the nearest thousandth, obtained by dividing the Total Consideration by the number of shares of CDC Common Stock outstanding as of the close of business on the Execution Date.

“Per Share Stock Consideration” means the number of Glacier Shares equal to the quotient, rounded to the nearest thousandth, obtained by dividing the Per Share Consideration by the Glacier Average Closing Price.

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

“Plan” has the meaning assigned to such term in *Section 3.1.20*.

“Properties,” with respect to any party to this Agreement, means properties or other assets owned or leased by such party or any of its Subsidiaries including, with respect to CDC, Real Property.

“Proposed Dissenting Shares” means those shares of CDC Common Stock as to which shareholders have properly given notice of their intent to assert appraisal rights pursuant to Section 35-1-830 of the MBCA.

“Prospectus/Proxy Statement” means the Prospectus/Proxy Statement referred to in *Section 4.2.1*, to be provided to all shareholders of CDC in connection with their consideration and approval of the Merger.

“Real Property” means any real property that CDC or any CDC Bank owns in fee title, other than “other real estate owned.”

“Registration Statement” has the meaning assigned to such term in *Section 4.2.1*.

“Reports” has the meaning assigned to such term in *Section 3.1.5*.

“SEC” means the United States Securities and Exchange Commission.

“Securities Act” has the meaning assigned to such term in *Section 3.1.5*.

“Securities Laws” has the meaning assigned to such term in *Section 3.1.5*.

“Stay Bonuses” has the meaning assigned to such term in *Section 4.1.7*.

“Stock Election Shares” has the meaning assigned to such term in *Section 1.3.2*.

“Subject Property” has the meaning assigned to such term in *Section 3.1.7*.

“Subsequent CDC Financial Statements” means CDC Financial Statements for each month ending after the Execution Date and prior to Closing.

“Subsidiary” with respect to any party to this Agreement means any Person in which such party owns the majority of outstanding capital stock or voting power.

“Superior Proposal” means, with respect to CDC and/or the CDC Banks, any Acquisition Proposal made by a Person other than Glacier or its Subsidiary(A) that is for (i) a merger, reorganization, consolidation, share exchange, business combination, recapitalization or similar transaction involving CDC or the CDC Banks, (ii) a sale, lease, exchange, transfer, or other disposition of at least 25% of the assets of CDC or the CDC Banks, taken as a whole, in a single transaction or a series of related transactions, or (iii) the acquisition, directly or indirectly, by a person of beneficial ownership of 50% or more of the CDC Common Stock or a CDC Bank’s outstanding shares whether by merger, consolidation, share exchange, business combination, tender, or exchange offer or otherwise, and (B) that is otherwise on terms which the Board of Directors of CDC in good faith concludes (after consultation with its financial advisors and outside counsel), taking into account, among other things, all legal, financial, regulatory, and other aspects of the proposal and the Person making the proposal, (x) would, if consummated, result in a transaction that is more favorable to its stockholders (in their capacities as stockholders), from a financial point of view, than the transactions contemplated by this Agreement, and (y) is reasonably probable of being completed.

“Termination Date” means *October 31, 2006*.

“Termination Fee” has the meaning assigned to such term in *Section 7.5*.

“Title Companies” has the meaning assigned to such term in *Section 4.1.12*.

“Total Consideration” means the sum of the Base Consideration plus any Earnings Adjustment less any Excess Transaction Fees.

“Total Stock Consideration” means the dollar amount, rounded to the nearest cent, that is equal to 40% of the Total Consideration.

“Trading Day” means a day on which Glacier Common Stock is traded on the NASDAQ Global Market.

“Trust” means the John T. Vucurevich Living Trust.

“WB-Chinook” has the meaning assigned to such term in Recital A(5).

“Western Security” has the meaning assigned to such term in Recital A(2).

SECTION 1.
TERMS OF TRANSACTION

- 1.1 Effect of Merger.** Upon Closing of the Merger, pursuant to the provisions of the MBCA, all shares of CDC Common Stock issued and outstanding immediately prior to Closing, except for Proposed Dissenting Shares, will, by virtue of the Merger and without any action on the part of any holder of shares of CDC Common Stock, be converted into the right to receive the merger consideration as described in *Sections 1.2 and 1.3*.
- 1.2 Merger Consideration.** Subject to the provisions of this Agreement, on the Effective Date:
- 1.2.1 Outstanding Glacier and Holdings Common Stock.** The shares of Glacier Common Stock and Holdings common stock issued and outstanding immediately prior to the Effective Date will, on and after the Effective Date, remain as issued and outstanding shares of, respectively, Glacier and Holdings.
- 1.2.2 Outstanding CDC Common Stock.** Each share of CDC Common Stock issued and outstanding immediately prior to the Execution Date, except for Proposed Dissenting Shares, will automatically and without any action on the part of the holder of such share be converted into and represent the right to receive from Glacier either Glacier Shares or a combination of Glacier Shares and cash in accordance with the provisions of *Section 1.3.2*. The aggregate consideration payable or issuable pursuant to the Merger is referred to as the “Merger Consideration” and has a dollar value equal to the sum of \$77 million plus any Earnings Adjustment, less any Excess Transaction Fees.
- 1.2.3 Earnings Adjustment.** “Earnings Adjustment” means the dollar amount of CDC’s consolidated after-tax earnings from July 1, 2006 to the Effective Date, determined in accordance with GAAP and consistent with past practices, but without regard to non-recurring or extraordinary expenses related to the Merger such as the CDC Transaction Fees (up to the maximum amount specified in *Section 5.2.3*), the Stay Bonuses, any increases to ALLL or charge-offs or other reserves that BKD, LLP or Glacier may require, and the cost of title commitments obtained and/or policies issued in accordance with *Section 4.1.12* (collectively, the “Extraordinary Expenses”). The Earnings Adjustment will be based on the actual consolidated earnings of CDC (excluding the Merger-related expenses described in the preceding sentence) as reflected on CDC’s monthly internal reported results for each month commencing after June 30, 2006 until the Effective Date. If the Effective Date occurs mid-month, then the Earnings Adjustment for the period following the most recently reported month-end until the Effective Date (the “Interim Earnings Period”) shall be calculated by multiplying (i) the number of days in the Interim Earnings Period, by (ii) the Average Daily Earnings. The “Average Daily Earnings” is the quotient obtained by dividing (i) CDC’s actual consolidated earnings from January 1, 2006 through the most recently reported month-end, excluding Extraordinary Expenses, by (ii) the number of days elapsed in such period. Notwithstanding anything in this Agreement to the contrary, if all conditions to Closing in *Section 5* are satisfied (or waived) but Closing is delayed solely to accommodate completion of the Foundation Transfer, then the number of days by which Closing is so delayed shall be excluded from the calculation of any Earnings Adjustment.
- 1.2.4 Excess Transaction Fees.** To the extent the CDC Transaction Fees exceed \$810,000, the Base Consideration shall be decreased by the amount that such CDC Transaction Fees exceed \$810,000 (the “Excess Transaction Fees”).

1.2.5 Change in Equity Capital. If, after the date of this Agreement but before the Effective Date, the number of shares of Glacier Common Stock or CDC Common Stock issued and outstanding increases or decreases in number or is changed into or exchanged for a different kind or number of securities, through a recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar change in capitalization (not including increases in number due to issuances of shares upon exercise of any outstanding options or warrants) of Glacier or CDC, as the case may be, then, as appropriate, a proportionate adjustment will be made to the Per Share Consideration.

1.3 Conversion Election Procedures and Allocation.

1.3.1 Election Form. An election form and other appropriate and customary transmittal materials (which will specify that delivery will be effected, and risk of loss and title to the certificates theretofore representing shares of CDC Common Stock will pass, only upon proper delivery of such certificates to the Exchange Agent) in such form as Glacier and CDC will mutually agree (the "Election Form") will be mailed with the Prospectus/Proxy Statement on the date of mailing of the Prospectus/Proxy Statement to each holder of record of CDC Common Stock as of the close of business on the record date for the CDC Meeting.

1.3.2 Election Options. Each Election Form will permit the holder (or the beneficial owner through appropriate and customary documentation and instructions) to elect to receive (a) the Per Share Stock Consideration in respect of all of such holder's CDC Common Stock ("Stock Election Shares") or (b) a combination of the Per Share Cash Consideration and the Per Share Stock Consideration for such shares ("Combination Election Shares"), which combination will be determined in accordance with *Section 1.3.5*. Any CDC Common Stock with respect to which the Exchange Agent has not received an effective, properly completed Election Form on or before 5:00 p.m., Mountain Time, on the tenth (10th) Business Day following the CDC Meeting (or such other time and date as Glacier and CDC may mutually agree) (the "Election Deadline") will be deemed to be "Combination Election Shares."

1.3.3 Availability of Forms/Information. Glacier will make available one or more Election Forms as may reasonably be requested from time to time by all persons who become holders (or beneficial owners) of CDC Common Stock between the record date for the CDC Meeting and the close of business on the Business Day prior to the Election Deadline, and CDC will provide to the Exchange Agent all information reasonably necessary for it to perform as specified herein.

1.3.4 Effective Elections. Any election will have been properly made only if the Exchange Agent shall have actually received a properly completed Election Form by the Election Deadline. Any Election Form may be revoked or changed by the person submitting such Election Form at or prior to the Election Deadline. In the event an Election Form is revoked prior to the Election Deadline, the shares of CDC Common Stock represented by such Election Form will become Combination Election Shares. Subject to the terms of this Agreement and of the Election Form, the Exchange Agent will have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the Election Forms, and any good faith decisions of Glacier regarding such matters will be binding and conclusive. Neither Glacier nor the Exchange Agent will be under any obligation to notify any person of any defect in an Election Form. To the extent the holder of Proposed Dissenting Shares

submits an Election Form to the Exchange Agent, such holder's election will have no effect, the Exchange Agent will disregard such Election Form, and the Proposed Dissenting Shares will be converted in accordance with *Section 1.5*.

1.3.5 Allocation of Glacier Shares and Cash. Within five Business Days after the later of the Election Deadline or the Effective Date, Glacier will cause the Exchange Agent to effect the allocation among the holders of CDC Common Stock of rights to receive Glacier Shares or cash in the Merger in accordance with the Election Forms as follows:

- (i) All Stock Election Shares will then be converted into the right to receive the Per Share Stock Consideration; provided, however, that if the aggregate dollar value of the Glacier Shares that would be issued upon the conversion in the Merger of the Stock Election Shares exceeds the Total Stock Consideration, then the holders thereof will receive (a) the Per Share Stock Consideration for that portion of their shares that would cause the total dollar value of the Glacier Shares issued in the Merger (using the Glacier Average Closing Price) to equal as closely as practicable the Total Stock Consideration, and (b) the Per Share Cash Consideration for the balance of their shares; and
- (ii) All Combination Election Shares will then be converted, on a pro rata basis, so that the holders thereof will receive (a) the Per Share Stock Consideration for that portion of their shares that, after giving effect to the conversion and allocation of the Stock Election Shares pursuant to *Section 1.3.5(i)*, would cause the total dollar value of the Glacier Shares issued in the Merger (using the Glacier Average Closing Price) to equal as closely as practicable the Total Stock Consideration, and (b) the Per Share Cash Consideration for the balance of their shares.

Any cash remaining after the allocation to the Stock Election Shares and the Combination Election Shares pursuant to *Section 1.3.5(i)* and *Section 1.3.5(ii)* shall be held or applied by the Exchange Agent for the payment of dissenting shares and fractional shares. Notwithstanding anything in this *Section 1.3.5* to the contrary, in no event shall the aggregate amount of cash paid for shares of CDC Common Stock, including Proposed Dissenting Shares, exceed sixty percent (60%) of the Total Consideration.

1.4 No Fractional Shares. No fractional shares of Glacier Common Stock will be issued. In lieu of fractional shares, if any, each holder of CDC Common Stock who is otherwise entitled to receive a fractional share of Glacier Common Stock will receive an amount of cash equal to the product of such fractional share times the Glacier Average Closing Price. Such fractional share interests will not include the right to vote or receive dividends or any interest on dividends.

1.5 Payment to Dissenting Shareholders. Proposed Dissenting Shares will have the rights provided by Title 35, Chapter 1, Part 8 of the MBCA.

1.6 Deposit of Cash and Shares. On or before the Effective Date, Glacier will deposit, or will cause to be deposited, with the Exchange Agent, for the benefit of the holders of certificates representing CDC Common Stock, for exchange in accordance with this *Section 1.6*, (i) certificates representing the Glacier Shares; (ii) the aggregate cash consideration for payment of the Per Share Cash Consideration; and (iii) the cash in lieu of fractional shares to be paid in accordance with *Section 1.3*. Such cash and certificates for Glacier Shares, together with any

dividends or distributions with respect thereto, are referred to in this Agreement as the “Exchange Fund.”

1.7 Certificates.

1.7.1 Letter of Transmittal. Glacier will cause the Exchange Agent to mail to each holder of record of a certificate evidencing CDC Common Stock shares (a “Certificate”) a form letter of transmittal (which will specify that delivery will be effected, and risk of loss and title to the Certificates will pass, only upon delivery of the Certificates to the Exchange Agent) and instructions for use in effecting the surrender of the Certificates in accordance with *Section 1.7.2*.

1.7.2 Surrender of Certificates. Subject to *Section 1.5*, each Certificate will, from and after the Effective Date, be deemed for all corporate purposes to represent and evidence only the right to receive the Merger Consideration (or to receive the cash for fractional shares) to which the CDC Common Stock shares converted in accordance with the provisions of *Section 1.3.5*. Following the Effective Date, holders of Certificates will exchange their Certificates in accordance with instructions provided by the Exchange Agent pursuant to *Section 1.7.1* and together with a properly completed and executed form of transmittal letter in order to effect their exchange for, as applicable, (i) certificates representing Glacier Common Stock; (ii) a check or, at the election of the CDC shareholder, a wire transfer (but only if the amount of cash included in that shareholder’s Merger Consideration exceeds \$100,000), representing any cash consideration to be received pursuant to *Section 1.2.2*; and/or (iii) a check representing the amount of cash in lieu of fractional shares, if any. Until a Certificate is so surrendered, the holder will not be entitled to receive his, her or its portion of the Merger Consideration.

1.7.3 Issuance of Certificates in Other Names. Any person requesting that any certificate evidencing Glacier Shares be issued in a name other than the name in which the surrendered Certificate is registered must: (1) establish to the Exchange Agent’s satisfaction the right to receive the certificate evidencing Glacier Shares and (2) either pay to the Exchange Agent any applicable transfer or other taxes or establish to the Exchange Agent’s satisfaction that all applicable taxes have been paid or are not required.

1.7.4 Lost, Stolen, and Destroyed Certificates. With respect to a Certificate that has been lost, stolen or destroyed, the Exchange Agent will be authorized to issue or pay the holder’s portion of the Merger Consideration in exchange thereof, if the holder provides the Exchange Agent with: (1) satisfactory evidence that the holder owns CDC Common Stock and that the certificate representing this ownership is lost, stolen, or destroyed, (2) any appropriate affidavit or security the Exchange Agent may require, and (3) any reasonable assurances that the Exchange Agent or Glacier may require.

1.7.5 Rights to Dividends and Distributions. After the Effective Date, no holder of any Certificate will be entitled to receive any dividends or other distributions otherwise payable to holders of record of Glacier Common Stock on any date after the Effective Date, unless the holder (1) is entitled by this Agreement to receive a certificate representing Glacier Common Stock and (2) has surrendered in accordance with this Agreement his, her or its Certificates (or has met the requirements of *Section 1.7.4*) in exchange for certificates representing Glacier Shares. Surrender of Certificates will not deprive the holder of any dividends or distributions that the holder is entitled to receive as a record holder of CDC Common Stock on a date before the Effective Date. When the

holder surrenders his, her or its Certificates in exchange for Glacier Shares, the holder will receive the amount, without interest, of any cash dividends and any other distributions distributed after the Effective Date on the whole number of Glacier Shares into which the holder's CDC Common Stock was converted at the Effective Date.

- 1.7.6 Checks in Other Names.** Any person requesting that a check for cash to be received in the Merger or cash in lieu of fractional shares be issued in a name other than the name in which the Certificate surrendered in exchange for the cash is registered, must establish to the Exchange Agent's satisfaction the right to receive this cash.
- 1.7.7 Affiliates.** Certificates that are surrendered for exchange by any person constituting an "affiliate" of CDC for purposes of Rule 145 under the Securities Act will not be exchanged for certificates representing Glacier Shares until Glacier has received a written agreement from such person as specified in *Section 4.3.1*.
- 1.7.8 Undelivered Certificates.** Any portion of the Exchange Fund that remains unclaimed by shareholders of CDC on a date that is six months after the Effective Date may be paid to Glacier, at Glacier's election. To the extent so paid, holders of CDC Common Stock who have not, prior to such time, complied with the provisions of this *Section 1.7* will, from such time forward, look only to Glacier for payment of the Merger Consideration, the cash in lieu of fractional shares, and/or unpaid dividends and distributions on the Glacier Shares deliverable with respect to each share of CDC Common Stock held by such holder as determined pursuant to this Agreement, in each case, without any interest. Neither Glacier nor CDC will be liable to any holder of CDC Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

SECTION 2. CLOSING OF TRANSACTION

- 2.1 Effective Date.** The Merger shall be consummated by the filing with and acceptance by the Montana Secretary of State of Articles of Merger, in the form required by and executed in accordance with the relevant provisions of the MBCA, and by the issuance of a Certificate of Merger by the Secretary of State of Montana. Unless Glacier and CDC agree upon a different date, the Effective Date will occur on the date of Closing or within three (3) Business Days following the date of Closing. If the Effective Date does not occur on or prior to the Termination Date and the parties do not mutually agree in writing to extend the Termination Date, either party may terminate this Agreement in accordance with *Section 7.1*.
- 2.2 Events of Closing.** Closing shall occur within five (5) Business Days after fulfillment or waiver of each condition precedent set forth in, and the granting of each approval (and expiration of any waiting period) covered by *Section 5*. At the Closing, all properly executed documents required by this Agreement will be delivered to the proper party, in form consistent with this Agreement. If any party fails to deliver a required document at the Closing or otherwise defaults under this Agreement on or prior to the Effective Date, then the Merger will not occur unless the adversely affected party waives the default.
- 2.3 Place and Time of Closing.** The Closing will take place at the office of Glacier Bancorp, Inc., 49 Commons Loop, Kalispell, Montana 59901, or such other place as the parties agree, at 9:00 a.m. Mountain Time, or such other time as the parties agree.

SECTION 3.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of CDC. CDC represents and warrants to Glacier that, except as disclosed in a Schedule to this Agreement:

3.1.1 Organization and Good Standing. CDC is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana, is a registered bank holding company pursuant to the BHC Act, and has all requisite power and authority to own and operate its properties and to carry on its businesses as now conducted. Each of its Subsidiaries is either a commercial bank or a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite power and authority to own and operate its Properties and to carry on its businesses as now conducted. The locations of all offices, including approved and unopened offices of its Subsidiaries, are listed in Schedule 3.1.1.

3.1.2 Corporate Authority. The execution, delivery and performance by CDC of this Agreement does not and will not, and the consummation by CDC of the Merger will not, constitute or result in: (1) a breach or violation of, or a default under, its articles of incorporation or bylaws; (2) a breach or violation of, or a default under, or the acceleration of or the creation of a Lien (with or without the giving of notice, the lapse of time or both) under, any provision of any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligation by which it or any of its Subsidiaries is bound or to which it or any of its Subsidiaries is a party (collectively, the “CDC Contracts”); or (3) a material violation of any law, rule, ordinance or regulation or judgment, decree, order, award, or governmental or non-governmental permit or license to which it is subject; or (4) any change in the rights or obligations of any party under any of the CDC Contracts. Schedule 3.1.2 contains a list of all consents CDC or the CDC Banks must obtain from third parties under any CDC Contracts before consummation of the Merger, the failure of which to obtain would have a Material Adverse Effect.

3.1.3 Capital Stock.

- (i) The authorized capital stock of CDC consists of 500,000 shares of CDC Class A Common Stock, no par value and 500,000 shares of CDC Class B Common Stock, no par value. A total of 43,151.33 shares of CDC Class A Common Stock and 428,321.82 shares of Class B Common Stock are issued and outstanding as of the date of this Agreement, all of which were validly issued and are fully paid and nonassessable.
- (ii) Schedule 3.1.3 sets forth, for each CDC Bank, such bank’s authorized capital stock, par value per share and the number of shares issued and outstanding. All of the issued and outstanding shares of the CDC Banks are owned by the shareholders and in the amounts listed on Schedule 3.1.3. All of the issued and outstanding shares of each CDC Bank are fully paid and nonassessable, except to the extent of any assessment required under Section 32-1-506 of the Montana Banking Act or under the National Bank Act.
- (iii) No unissued shares of common stock or any other securities of CDC or the CDC Banks or any of their Subsidiaries, are subject to any warrants, options, conversion privileges, rights or commitments of any character, kind or nature.

Neither CDC nor any of the CDC Banks has issued or is obligated to issue any additional shares of common stock or any other security to any other person.

3.1.4 Subsidiaries. CDC has no Subsidiaries other than the CDC Banks. The shares of capital stock of each of CDC's Subsidiaries are owned by it free and clear of all liens, claims, encumbrances and restrictions on transfer, other than the restrictions imposed by applicable federal and state securities laws.

3.1.5 Reports and Financial Statements.

- (i) Filing of Reports. Since January 1, 2002, CDC and each of its Subsidiaries has filed all reports and statements, together with any required amendments to these reports and statements, that they were required to file with (1) the Federal Reserve, (2) the FDIC, (3) the OCC and (4) any other applicable federal or state banking, insurance, securities, or other regulatory authorities. Each of these reports and statements, including the related financial statements and exhibits, complied as to form in all material respects with all applicable statutes, rules and regulations as of their respective dates.
- (ii) Delivery to Other Party of Reports. CDC has delivered or otherwise made available to Glacier a copy of each and any registration statement, offering circular, report, definitive proxy statement or information statement (collectively, its "Reports") under the Securities Act of 1933, as amended ("Securities Act"), the Securities Exchange Act of 1934, as amended ("Exchange Act"), and state securities and "Blue Sky" laws (collectively, the "Securities Laws") filed, used or circulated by it or any CDC Bank with respect to periods since January 1, 2002, through the Execution Date.
- (iii) Compliance with Securities Laws. As of their respective dates (and without giving effect to any amendments or modifications filed after the Execution Date), each of the Reports, including the related financial statements, exhibits and schedules, filed, used or circulated before the Execution Date complied (and each of the Reports filed after the Execution Date, will comply) in all material respects with applicable Securities Laws, and did not (or in the case of reports, statements, or circulars filed after the Execution Date, will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- (iv) Financial Statements. Each of CDC's balance sheets included in the CDC Financial Statements fairly presents (or, in the case of CDC Financial Statements for periods ending on a date following the Execution Date, will fairly present) the financial position of CDC and its Subsidiaries as of the date of the balance sheet. Except as disclosed in Schedule 3.1.5, each of the statements of income, cash flows and shareholders' equity included in the CDC Financial Statements fairly presents (or, in the case of CDC Financial Statements to be prepared in accordance with *Section 4.1.9*, if required, or for periods ending on a date following the Execution Date, will fairly present) the results of operations, shareholders' equity and cash flows, as the case may be, of CDC and its Subsidiaries for the periods set forth in these statements (subject, in the case of

unaudited statements, to normal year-end audit adjustments), in each case in accordance with GAAP, except as may be noted in these statements.

3.1.6 Properties.

- (i) CDC and its Subsidiaries are not a party to any real property lease, whether as landlord, tenant, guarantor or otherwise, except as disclosed in Schedule 3.1.6. Except as disclosed or reserved against in the CDC Financial Statements or in Schedule 3.1.6, CDC and/or one of its Subsidiaries have good and marketable title, free and clear of all Liens (other than Liens for taxes not yet delinquent or pledges to secure deposits and other security provided in the ordinary course of business including, without limitation, security for Federal Home Loan Bank borrowings, federal funds and repurchase agreements) to all of the properties and assets, tangible or intangible, reflected in the CDC Financial Statements as being owned or leased by any of them as of the Execution Date. Except as disclosed in Schedule 3.1.6, all buildings and structures on the Real Property and the equipment located thereon are in all material respects in good operating condition and repair (ordinary wear and tear excepted) and conform in all material respects to all applicable laws, ordinances and regulations.
- (ii) To the Knowledge of CDC, all buildings and all fixtures, equipment and other property and assets that are material to CDC's business on a consolidated basis are owned by it or one of its Subsidiaries or are held under leases or subleases by it or one of its Subsidiaries, enforceable in accordance with their respective terms (except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally or by general equitable principles).
- (iii) Schedule 3.1.1 lists all of its existing branches and offices and all new branches or offices that any CDC Bank has applied to establish or purchase, along with the estimated cost to establish or purchase those new branches.
- (iv) CDC has provided to Glacier copies of existing title policies, if any, held in its files relating to the Real Property, and, to the Knowledge of CDC, no exceptions, reservations, or encumbrances have arisen or been created since the date of issuance of those policies (other than Liens for taxes not yet delinquent).

3.1.7 Environmental Matters.

- (i) For purposes of this *Section 3.1.7*, the following definitions apply:
 - (1) "Subject Property" with respect to a party means (i) all real property at which its business has been conducted, and any property where under any Environmental Law it is deemed to be the owner or operator of the property; (ii) any facility in which it is the owner or operator of the facility; and (iii) all other real property that, for purposes of any Environmental Law, it otherwise could be deemed to be an owner or operator of or as otherwise having control over.
 - (2) "Environmental Laws" means any federal, state or local law, regulation, order, decree, judgment, judicial opinion, or any agreement between

CDC or any of its Subsidiaries and any Governmental Entity presently in effect relating to: (i) the manufacture, generation, transport, use, treatment, storage, recycling, disposal, release, threatened release or presence of Hazardous Substances, or (ii) the protection of human health or the environment.

- (3) “Hazardous Substances” means any substance, material or waste that is (a) defined as a “hazardous substance” in 42 USC § 9601(14), (b) defined as a “pollutant or contaminant” in 33 USC § 1362(6), (c) defined as a “hazardous waste” in 42 USC § 6903(5), or (d) petroleum or a petroleum product or any other substance defined as “hazardous,” “dangerous” or “toxic” under any federal or state law or regulation enacted for the protection of human health or the environment; provided, however, that supplies and materials used by CDC and/or its Subsidiaries for general office purposes will not be deemed to be Hazardous Substances for the purposes of this Agreement.
- (ii) Except as disclosed in Schedule 3.1.7, to CDC’s Knowledge, CDC, its Subsidiaries and the Subject Property are, and have been, in material compliance with all applicable Environmental Laws, and to CDC’s Knowledge, no circumstances exist that would result in a material violation of such Environmental Laws.
 - (iii) Except as disclosed in Schedule 3.1.7, none of the following exists, and to CDC’s Knowledge, no reasonable basis for any of the following exists: pending or threatened claims, actions, investigations, notices of non-compliance, information requests or notices of potential responsibility or proceedings involving CDC, any of its Subsidiaries or any Subject Property, the occurrence or existence of which would result in a Material Adverse Effect, relating to:
 - (1) an asserted liability of CDC or any of its Subsidiaries or any prior owner, occupier or user of Subject Property under any applicable Environmental Law or the terms and conditions of any permit, license, authority, settlement, agreement, decree or other obligation arising under any applicable Environmental Law;
 - (2) the handling, storage, use, transportation, removal or disposal of Hazardous Substances;
 - (3) the actual or threatened discharge, release or emission of Hazardous Substances from, on or under or within Subject Property into the air, water, surface water, ground water, land surface or subsurface strata; or
 - (4) personal injuries or damage to the Subject Property related to or arising out of the release of Hazardous Substances.
 - (iv) Except as disclosed in Schedule 3.1.7, no storage tanks underground or otherwise are present on the Subject Property or, if present, none of such tanks are leaking and each of them is in full compliance with all applicable Environmental Laws (except where the failure to be in full compliance would not have a Material Adverse Effect). With respect to any Subject Property, except as permitted by

applicable Environmental Laws, neither CDC nor any of its Subsidiaries owns, possesses or controls any PCBs, PCB-contaminated fluids, wastes or equipment, or any material amount of asbestos or asbestos-containing material, the existence of which would have a Material Adverse Effect. No Hazardous Substances have been used, handled, stored, discharged, released or emitted, or are threatened to be discharged, released or emitted, at or on any Subject Property, except in compliance with applicable Environmental Laws (except where failure to be in compliance would not have a Material Adverse Effect).

- (v) Except as disclosed in Schedule 3.1.7, to CDC's Knowledge, no part of the Subject Property has been or is scheduled for investigation or monitoring under any applicable Environmental Law.
- (vi) Except as disclosed in Schedule 3.1.7, no condition from, on or under the Subject Property exists with respect to the Subject Property which would have a Material Adverse Effect that would require remediation under applicable Environmental Laws.

3.1.8 Taxes. All tax returns and reports required by law to be filed by CDC and its Subsidiaries have been duly filed, and all taxes, assessments, fees and other government charges upon CDC or any of its Subsidiaries or upon any of their respective properties, assets, income or franchises that are due and payable have been paid, of which the failure to file or pay would have a Material Adverse Effect. The federal income portion of such taxes have been paid in full as indicated in the tax returns of CDC and its Subsidiaries for the past five years or adequate provision has been made for any such taxes on its balance sheet in accordance with GAAP, of which the failure to pay or provide for on the balance sheet would have a Material Adverse Effect. No material objections to returns or claims for additional taxes are being asserted with respect to federal or state tax returns of CDC and its Subsidiaries for any prior years, except for such audits, objections or claims which are being contested in good faith, by appropriate proceedings and with establishment of appropriate reserves, and which have been disclosed in writing to the other parties to this Agreement. Except as specified in the foregoing sentence, in the past five years, there has been no past audit, objection to returns, or claim for additional taxes.

3.1.9 Absence of Regulatory Action. Except as disclosed in Schedule 3.1.9, neither CDC nor any of its Subsidiaries is, to the Knowledge of CDC, in material violation of any statute, rule or governmental regulation applicable to them (including, without limitation, the Community Reinvestment Act, Bank Secrecy Act, Truth in Lending Act, Equal Credit Opportunity Act, and statutes, rules and regulations governing the reporting of taxpayer identification numbers of its customers). Except as set forth on Schedule 3.1.9, neither CDC nor any of its Subsidiaries is a party to any cease and desist order, written agreement or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or is a recipient of any extraordinary supervisory letter from, or has adopted any board resolutions at the request of, federal or state regulatory authorities, nor have they been advised by such authorities that they are contemplating issuing or requesting any such order, agreement, memorandum or similar document or undertaking.

3.1.10 Allowance for Loan Losses. In the opinion of its management, the ALLL shown in the latest CDC Financial Statements is, and that which will be stated in the Subsequent CDC Financial Statements prior to Closing, in both cases as adjusted for any increases in

ALLL or charge-offs reasonably required by BKD, LLP or Glacier, will be, adequate to absorb its anticipated loan losses.

3.1.11 Material Agreements.

- (i) Except for arrangements made after the date and in accordance with the terms of this Agreement, CDC and its Subsidiaries are not bound by any material contract (as defined in Item 601(b)(10) of Regulation S-K under the Securities Act) that: (1) is to be performed after the date of this Agreement and (2) has not been set forth in Schedule 3.1.11.
- (ii) Neither CDC nor any of its Subsidiaries is in default under any contract, agreement, commitment, arrangement, lease, insurance policy or other instrument, which default would result in a Material Adverse Effect.

3.1.12 Compliance with Laws. CDC and each of its Subsidiaries has all material permits, licenses, certificates of authority, orders, and approvals of, and has made all filings, applications, and registrations with, federal, state, local, and foreign governmental or regulatory bodies that are required in order to permit CDC or its Subsidiaries to carry on their respective businesses as they are presently conducted and the absence of which, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect on them. All such material permits, licenses, certificates of authority, orders and approvals are in full force and effect, and, to the Knowledge of CDC, no suspension or cancellation of any of them is threatened.

3.1.13 Knowledge as to Conditions. Except as set forth in Schedule 3.1.9, CDC Knows of no reason why the approvals, consents and waivers of governmental authorities referred to in *Section 5.1* cannot be obtained.

3.1.14 No Material Adverse Effect. Since December 31, 2005, (i) CDC and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course of business, and (ii) there has not been any change in the financial condition (which includes, without limitation, the condition of assets, franchises, results of operations and prospects) that has had or may reasonably be expected to have a Material Adverse Effect on CDC or any of its Subsidiaries.

3.1.15 Completeness of Representations. No representation or warranty made by or with respect to CDC or its Subsidiaries in this Agreement (or in the Schedules to this Agreement) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in this Agreement (or in such Schedules) or in such representation or warranty not misleading.

3.1.16 Asset Classification.

- (i) Schedule 3.1.16 sets forth a list, accurate and complete, as of March 31, 2006 except as otherwise expressly noted, and separated by category of classification or criticism ("Asset Classification"), of the aggregate amounts of loans, extensions of credit and other assets of CDC and its Subsidiaries that have been criticized or classified by any internal audit conducted by CDC, taking into account any assets that have been criticized or classified by any governmental or regulatory authority.

- (ii) Except as shown in Schedule 3.1.16, no amounts of its loans, extensions of credit or other assets that have been classified or criticized by any representative of any governmental entity as “Other Assets Especially Mentioned,” “Substandard,” “Doubtful,” “Loss” or words of similar effect are excluded from the amounts disclosed in the Asset Classification, other than amounts of loans, extensions of credit or other assets that were paid off or charged off by CDC or its Subsidiaries before the date of this Agreement.

3.1.17 Litigation. Except as disclosed in Schedule 3.1.17, no material litigation, proceeding or controversy before any court or governmental agency is pending (other than routine foreclosure proceedings), and there is no pending claim, action or proceeding against CDC or any of its Subsidiaries, which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on them or to materially hinder or delay consummation of the Merger, and, to the Knowledge of CDC, no such litigation, proceeding, controversy, claim or action has been threatened or is contemplated.

3.1.18 Insurance. CDC and each of its Subsidiaries have taken all requisite action (including the making of claims and the giving of notices) under their respective directors’ and officers’ liability insurance policy or policies in order to preserve all rights under such policies with respect to all matters known to them (other than matters arising in connection with, and the transactions contemplated by, this Agreement). Schedule 3.1.18 lists all directors’ and officers’ liability insurance policies and other material insurance policies maintained by CDC or its Subsidiaries.

3.1.19 Labor Matters. Neither CDC nor any of its Subsidiaries is a party to, or is bound by, any collective bargaining agreement, contract, or other agreement or understanding with a labor union or labor organization. Neither CDC nor any of its Subsidiaries is the subject of any proceeding: (1) asserting that they have committed an unfair labor practice or (2) seeking to compel them to bargain with any labor organization as to wages or conditions of employment. No strike involving CDC or its Subsidiaries is pending or, to CDC’s Knowledge, threatened. CDC has no Knowledge of any activity involving its or the CDC Banks’ employees seeking to certify a collective bargaining unit or engaging in any other organizational activity.

3.1.20 Employee Benefits.

- (i) For purposes of this Agreement, “Plan” or “Plans”, individually or collectively, means any “employee benefit plan,” as defined in Section 3(3) of ERISA, maintained by CDC or its Subsidiaries, as the case may be. CDC and its Subsidiaries are not now nor have ever been a contributing employer to or sponsor of a multiemployer plan or a single employer plan subject to Title IV of ERISA.
- (ii) Schedule 3.1.20 sets forth a list, as of the Execution Date, of (a) all Plans, stock purchase plans, restricted stock and stock option plans, and other deferred compensation arrangements, and (b) all other material employee benefit plans that cover employees or former employees of CDC and its Subsidiaries (its “Compensation Plans”). True and complete copies of the Compensation Plans (and, as applicable, copies of summary plan descriptions, governmental filings (on Form 5500 series or otherwise), actuarial reports and reports under Financial Accounting Standards Board Statement No. 106 relating to such Compensation

Plans) covering its current employees or those of its Subsidiaries (collectively, “Employees”), including Plans and related amendments, have been made available to Glacier.

- (iii) All of its Plans covering Employees (other than “multi-employer plans” within the meaning of ERISA Sections 3(37) or 4001(a)(3)), to the extent subject to ERISA, are in substantial compliance with ERISA. Each of its Plans that is an “employee pension benefit plan” within the meaning of ERISA Section 3(2) (“Pension Plan”) and that is intended to be qualified under IRC Section 401(a), has either received a favorable determination letter from the Internal Revenue Service or consists of a master, prototype, or volume submitter plan which has received an opinion or advisory letter from the Internal Revenue Service upon which CDC may rely, and CDC is not aware of any circumstances likely to result in revocation of any such favorable determination letter. No litigation relating to its Plans is pending or, to CDC’s Knowledge, threatened. Neither CDC nor any of its Subsidiaries has engaged in a transaction with respect to any Plan that could subject it or any of its Subsidiaries to a tax or penalty imposed by either IRC Section 4975 or ERISA Section 502(i) in an amount that would be material.
- (iv) All material contributions CDC or any of its Subsidiaries are or were required to make under the terms of any of its Plans have been timely made or have been reflected in the CDC Financial Statements. Neither any of its Pension Plans nor any single-employer plan of any of its ERISA Affiliates has an “accumulated funding deficiency” (whether or not waived) within the meaning of IRC Section 412 or ERISA Section 302. Neither CDC nor any of its Subsidiaries or its ERISA Affiliates has provided, or is required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate under IRC Sections 401(a)(29) or 412(f)(3) or ERISA Sections 306, 307 or 4204.
- (v) Except as disclosed in the CDC Financial Statements or in Schedule 3.1.20, neither CDC nor any of its Subsidiaries has any obligations for retiree health and life benefits.
- (vi) No provision of the documents governing any Plan contains restrictions on the rights of CDC or its Subsidiaries to amend or terminate any Plan without incurring liability under the Plan other than normal liabilities for benefits.
- (vii) Except as disclosed in the CDC Financial Statements or otherwise disclosed in this Agreement or in Schedule 3.1.20, the Merger will not result in (a) vesting, acceleration, or increase of any amounts payable under any Compensation Plan, (b) any material increase in benefits under any Compensation Plan or (c) payment of any severance or similar compensation under any Compensation Plan.
- (viii) Except as disclosed in Schedule 3.1.20, neither CDC nor any of its Subsidiaries maintains an executive supplemental retirement plan or similar arrangement.

3.1.21 Broker’s or Finder’s Fees. Except for the fees of D.A. Davidson & Co. and Hovde Financial Inc., no agent, broker, person or firm acting on behalf of CDC or its Subsidiaries, or under its authority, is or will be entitled to any commission, broker’s, finder’s or financial advisory fee in connection with the Merger.

3.2 Representations and Warranties of Glacier. Except as disclosed in a schedule to this Agreement, Glacier represents and warrants to CDC:

3.2.1 Organization and Good Standing. Glacier is a corporation duly organized, validly existing and in good standing under the laws of the State of Montana, is a registered bank holding company pursuant to the BHC Act, and has all requisite power and authority to own and operate its properties and to carry on its businesses as now conducted. Each of its Subsidiaries is either a commercial bank, a statutory trust or a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation and has all requisite power and authority to own and operate its Properties and to carry on its businesses as now conducted.

3.2.2 Corporate Authority. The execution, delivery and performance by Glacier of this Agreement does not and will not, and the consummation by Holdings of the Merger will not, constitute or result in: (1) a breach or violation of, or a default under, either of their articles of incorporation or bylaws; (2) a breach or violation of, or a default under, or the acceleration of or the creation of a Lien (with or without the giving of notice, the lapse of time or both) under any provision of any agreement, lease, contract, note, mortgage, indenture, arrangement or other obligation by which either of them is bound or to which either of them is a party (collectively, the “Glacier Contracts”); or (3) a material violation of any law, rule, ordinance or regulation or judgment, decree, order, award, or governmental or non-governmental permit or license to which either of them is subject; or (4) any change in the rights or obligations of any party under any of the Glacier Contracts.

3.2.3 Capital Stock.

- (i) The authorized capital stock of Glacier consists of 78,125,000 shares of Glacier Common Stock, par value \$0.01 per share. A total of 32,314,112 shares of Glacier Common Stock were issued and outstanding as of March 31, 2006, all of which were validly issued and are fully paid and nonassessable. As of March 31, 2006, options to acquire 2,177,766 shares of Glacier Common Stock have been granted and are outstanding.
- (ii) No unissued shares of common stock or any other securities of Glacier are subject to any warrants, options, conversion privileges, rights or commitments of any character, kind or nature, except as set forth in Glacier’s Reports, and Glacier has not issued and is not obligated to issue any additional shares of common stock or any other security to any other person, except as so disclosed.

3.2.4 Reports and Financial Statements.

- (i) Filing of Reports. Since January 1, 2002, Glacier and each of its Subsidiaries has filed all reports and statements, together with any required amendments to these reports and statements, that they were and will be required to file with (1) the SEC, (2) the Federal Reserve, (3) the FDIC, and (4) any other applicable federal or state banking, insurance, securities, or other regulatory authorities. Each of these reports and statements, including the related financial statements and exhibits, complied as to form in all material respects with all applicable statutes, rules and regulations as of their respective dates.

- (ii) Compliance with Securities Laws. As of their respective dates (and without giving effect to any amendments or modifications filed after the Execution Date), each of the Reports, including the related financial statements, exhibits and schedules, filed, used or circulated before the Execution Date complied (and each of the Reports filed after the Execution Date, will comply) in all material respects with applicable Securities Laws, and did not (or, in the case of reports, statements, or circulars filed after the Execution Date, will not) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.
- (iii) Financial Statements. Each of Glacier's balance sheets included in the Glacier Financial Statements fairly presents (or, in the case of Glacier Financial Statements for periods ending on a date following the Execution Date, will fairly present) the financial position of Glacier and its Subsidiaries as of the date of the balance sheet. Each of the statements of income, cash flows and shareholders' equity included in the Glacier Financial Statements fairly presents (or, in the case of Glacier Financial Statements to be prepared and filed with the SEC pursuant to Glacier's reporting obligations under the Exchange Act for periods ending on a date following the Execution Date, will fairly present) the results of operations, shareholders' equity and cash flows, as the case may be, of Glacier and its Subsidiaries for the periods set forth in these statements, in each case in accordance with GAAP, except as may be noted in these statements.

3.2.5 Financing and Shares Available. At the Effective Date, Glacier will have (i) sufficient cash and cash equivalents on hand to pay the cash component of the Merger Consideration, cash in lieu of fractional shares, and any amounts payable to holders of Proposed Dissenting Shares; and (ii) a sufficient number of shares of common stock authorized and available to issue the Glacier Shares.

3.2.6 Absence of Regulatory Action. Neither Glacier nor any of its Subsidiaries is, to the Knowledge of Glacier, in material violation of any statute, rule or governmental regulation applicable to them (including, without limitation, the Community Reinvestment Act, Bank Secrecy Act, Truth in Lending Act, Equal Credit Opportunity Act, and statutes, rules and regulations governing the reporting of taxpayer identification numbers of its customers). Neither Glacier nor any of its Subsidiaries is a party to any cease and desist order, written agreement or memorandum of understanding with, or a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or is a recipient of any extraordinary supervisory letter from, or has adopted any board resolutions at the request of, federal or state regulatory authorities, nor has it been advised by such authorities that they are contemplating issuing or requesting any such order, agreement, memorandum or similar document or undertaking.

3.2.7 Knowledge as to Conditions. Glacier knows of no reason why the approvals, consents and waivers of governmental authorities referred to in *Section 5.1* cannot be obtained.

3.2.8 Litigation. Except as disclosed in Glacier's Reports, no material litigation, proceeding or controversy before any court or governmental agency is pending, and there is no pending claim, action or proceeding against Glacier or any of its Subsidiaries, which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on them or to materially hinder or delay consummation of the Merger.

- 3.2.9 Taxes.** All tax returns and reports required by law to be filed by Glacier and its Subsidiaries have been duly filed, and all taxes, assessments, fees and other government charges upon Glacier or any of its Subsidiaries or upon any of their respective properties, assets, income or franchises that are due and payable have been paid. The federal income portion of such taxes have been paid in full as indicated in the tax returns of Glacier and its Subsidiaries for the past five years or adequate provision has been made for any such taxes on its balance sheet in accordance with GAAP. No material objections to returns or claims for additional taxes are being asserted with respect to federal or state tax returns of Glacier and its Subsidiaries for any prior years, except for such audits, objections or claims which are being contested in good faith, by appropriate proceedings and with establishment of appropriate reserves, and which have been disclosed in writing to the other parties to this Agreement. Except as specified in the foregoing sentence, in the past five years, there has been no past audit, objection to returns, or claim for additional taxes.
- 3.2.10 No Material Adverse Effect.** Since December 31, 2005, (i) Glacier and its Subsidiaries have conducted their respective businesses only in the ordinary and usual course of business, and (ii) there has not been any change in the financial condition (which includes, without limitation, the condition of assets, franchises, results of operations and prospects) that has had or may reasonably be expected to have a Material Adverse Effect on Glacier or any of its Subsidiaries.
- 3.2.11 Completeness of Representations.** No representation or warranty made by or with respect to Glacier or its Subsidiaries in this Agreement (or in the Schedules to this Agreement) contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in this Agreement (or in such Schedules) or in such representation or warranty not misleading.

SECTION 4. CONDUCT AND TRANSACTIONS PRIOR TO CLOSING

- 4.1 Conduct of CDC's and CDC Banks' Businesses Prior to Closing.** CDC covenants that, from the date of this Agreement and prior to Closing:
- 4.1.1 Availability of Books, Records and Properties.**
- (i) With prior notice to CDC, subject to applicable law, the books, records, properties, contracts and documents of CDC and the CDC Banks will be available at all reasonable times to Glacier and its counsel, accountants and other representatives. Such items will be open for inspection, audit and direct verification of loan or deposit balances, collateral receipts and such other transactions or documentation as Glacier deems reasonably relevant to the Transaction. CDC will (and will cause the CDC Banks to) cooperate fully in such inspection and audit, and make available all information reasonably requested by or on behalf of Glacier.
 - (ii) Upon request by Glacier, CDC and its Subsidiaries will request that any third parties involved in the preparation or review of the CDC Financial Statements or CDC Subsequent Financial Statements disclose to Glacier the work papers or any similar materials related to such financial statements.

4.1.2 Ordinary and Usual Course. Without prior written consent of Glacier, subject to applicable law and except as required by the Commissioner, the FDIC, the OCC or the Federal Reserve (so long as Glacier receives prior written notice of such required action), CDC and each CDC Bank will conduct their respective business only in the ordinary and usual course and will not do any of the following:

- (i) effect any stock split or other recapitalization with respect to CDC Common Stock or the shares of any CDC Bank, pledge or encumber in any way any shares of such capital stock; or grant any option for shares of such capital stock;
- (ii) other than in the ordinary course of business, consistent with past practice, or as necessary to pay CDC Transaction Fee expenses consistent with this Agreement, declare or pay any dividend (excluding quarterly dividends to be paid in April 2006 and July 2006 of approximately \$500,000 per quarter), or make any other distribution, either directly or indirectly, with respect to CDC Common Stock or the shares of any CDC Bank;
- (iii) acquire, sell, transfer, assign, encumber or otherwise dispose of any material assets or make any material commitment other than in the ordinary and usual course of business;
- (iv) solicit or accept deposit accounts of a different type from accounts previously accepted by the CDC Banks or at rates materially in excess of prevailing interest rates, or incur any indebtedness for borrowed money (excluding Fed Funds and Federal Home Loan Bank borrowings);
- (v) offer or make loans or other extensions of credit of a different type, or apply different underwriting standards, from those previously offered or applied by the CDC Banks, or offer or make a new loan or extension of credit in an amount greater than \$1 million without prior consultation with Glacier; provided, that it is acknowledged and agreed that renewals of loans to existing customers shall not require prior consultation with Glacier;
- (vi) except for the transfer of the Leased Real Property, cancellation of Leases, foreclosures and satisfaction of obligations as contemplated by *Section 4.1.12*, acquire an ownership interest or a leasehold interest in any real property, except those disclosed in Schedule 3.1.6, without making an appropriate environmental evaluation in advance of obtaining such interest and without providing to Glacier such evaluation and at least 30 days' advance notice;
- (vii) enter into, renew, or terminate any contracts calling for a payment by any of them of more than \$25,000 (including real property leases and data or item processing agreements) with or for a term of one-year or more, except for its contracts of deposit and agreements to lend money not otherwise restricted under this Agreement and (1) entered into in the ordinary course of business, consistent with past practices, and (2) providing for not less (in the case of loans) or materially more (in the case of deposits) than prevailing market rates of interest;
- (viii) enter into or amend any contract (other than contracts for deposits or agreements to lend money not otherwise restricted by this Agreement) calling for a payment

by any of them of more than \$25,000, unless the contract may be terminated without cause or penalty upon 30 days notice or less;

- (ix) enter into any personal services contract with any person or firm outside the ordinary course of business, except contracts, agreements, or arrangements for legal, accounting, consulting, investment advisory, or tax services entered into to directly facilitate the Merger and to facilitate any divestiture or market redefinition proceedings related to the Merger;
- (x) (A) sell any securities, whether held for investment or sale, other than in the ordinary course of business or sell any securities, whether held for investment or sale, even in the ordinary course of business, if the aggregate gain or loss realized from all sales after the Execution Date would be more than \$25,000 or (B) transfer any investment securities between portfolios of securities available for sale and portfolios of securities to be held to maturity;
- (xi) amend its Articles of Incorporation, Bylaws, or other formation agreements, or convert its charter or form of entity;
- (xii) implement or adopt any material changes in its operations, policies, or procedures, including loan loss reserve policies, unless the changes are requested by Glacier or are necessary or advisable, on the advice of legal counsel, to comply with applicable laws, regulations, or regulatory policies;
- (xiii) implement or adopt any change in its accounting principles, practices or methods, other than as may be required (1) by GAAP, (2) for tax purposes, or (3) to take advantage of any beneficial tax or accounting methods;
- (xiv) other than in accordance with binding commitments existing on the Execution Date and that have been disclosed to Glacier, make any capital expenditures in excess of \$25,000 per project or related series of projects or \$50,000 in the aggregate;
- (xv) enter into any other material transaction or make any material expenditure other than in the ordinary and usual course of its business except for expenses reasonably related to completion of the Merger; or
- (xvi) take any action which would materially and adversely affect or delay their ability or the ability of Glacier and Holdings to obtain any necessary approvals, consents or waivers of any governmental authority required for the Merger or to perform in all material respects their respective covenants and agreements under this Agreement.

4.1.3 Continuing Representation and Warranty. Neither CDC nor any of its Subsidiaries will do or cause to be done anything that would cause any representation or warranty in *Section 3.1* to be untrue or inaccurate if made at Closing, except as otherwise contemplated or required by this Agreement or consented to in writing by Glacier.

4.1.4 Maintenance of Properties. CDC and each CDC Bank will in all material respects maintain their respective properties and equipment (and related insurance or its equivalent) in accordance with good business practice.

- 4.1.5 Preservation of Business Organization.** CDC and each CDC Bank will use its commercially-reasonable efforts to:
- (i) Preserve its respective business organization.
 - (ii) Retain the services of management and employees consistent with such program for consolidation of redundant employment positions resulting from the Merger as will be developed in cooperation with Glacier.
 - (iii) Preserve the goodwill of suppliers, customers and others with whom CDC and the CDC Banks have business relations.
- 4.1.6 Senior Management.** Except as otherwise provided in this Agreement and excluding resignations, without prior consultation with Glacier, CDC will not, and will cause the CDC Banks not to, make any change with respect to present management personnel having the rank of vice-president or higher.
- 4.1.7 Compensation.** With the exception of stay bonuses paid to certain employees of CDC and the CDC Banks not to exceed an aggregate of \$1,200,000 (the “Stay Bonuses”). CDC will not, and will cause the CDC Banks not to, permit any increase in the current or deferred compensation payable or to become payable by CDC or such bank to any of its directors, officers, employees, agents or consultants other than normal increments in compensation in accordance with CDC’s and such bank’s established policies with respect to the timing and amounts of such increments. Without the prior written approval of Glacier, CDC will not, and will cause each CDC Bank not to, commit to, execute or deliver any employment agreement with any party not terminable without expense with two weeks notice.
- 4.1.8 Audited Balance Sheet.** CDC will cause to be conducted, at CDC’s sole cost and expense, an audit of its consolidated balance sheet dated as of February 28, 2006 by BKD, LLP, which is registered as an independent certified public accounting firm with the PCAOB, that satisfies all applicable rules and regulations promulgated by the SEC in order for such audited balance sheet to be included in the Form S-4 Registration Statement contemplated by *Section 4.2*.
- 4.1.9 Update of Financial Statements.** CDC will deliver unaudited balance sheets and related statements of income and shareholders’ equity for each month ending after the Execution Date and before Closing or the Termination Date, as the case may be, within 15 days after each such month-end. The Subsequent CDC Financial Statements:
- (i) will be prepared from the books and records of CDC and its Subsidiaries;
 - (ii) will present fairly the financial position and operating results of CDC and its Subsidiaries at the times indicated and for the periods covered;
 - (iii) will be prepared in accordance with GAAP (except for the absence of notes and exceptions from GAAP identified in *Section 3.1.5*) and with the regulations promulgated by applicable regulatory authorities, to the extent then applicable; and

- (iv) will reflect all liabilities, contingent or otherwise, of CDC and its Subsidiaries on the respective dates and for the respective periods covered, except for liabilities: (1) not required to be so reflected in accordance with GAAP or (2) not significant in amount. All contingent liabilities not recorded on the Subsequent CDC Financial Statements will be disclosed in writing to Glacier.

4.1.10 Update Schedules. From the date of this Agreement until Closing, CDC will promptly revise and supplement the Schedules to this Agreement prepared by or on behalf of CDC or its Subsidiaries to ensure that such Schedules remain accurate and complete. Notwithstanding anything to the contrary contained herein, supplementation of such Schedules following the execution of this Agreement will not be deemed a modification of CDC's representations or warranties contained in this Agreement.

4.1.11 Acquisition Proposal. CDC agrees that neither it nor any of its Subsidiaries will, and CDC will direct and use its best efforts to cause its and its Subsidiaries' directors, officers, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, initiate, solicit, encourage or take any other action to facilitate any inquiries or the making of any proposal or offer (including, without limitation, any proposal or offer to shareholders of CDC) with respect to an Acquisition Event (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or, except to the extent legally required for the discharge by the board of directors of its fiduciary duties as advised in writing by such board's counsel, engage in any negotiations concerning, or provide any confidential information or data to any Person relating to, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal. CDC and its Subsidiaries will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. CDC will take the necessary steps to inform the appropriate individuals or entities referred to in the first sentence hereof of the obligations undertaken in this *Section 4.1.11*. CDC will notify Glacier immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations are sought to be initiated or continued with CDC or its Subsidiaries.

4.1.12 Status of Title/Leasehold Interests. CDC will use its reasonable best efforts to provide Glacier, no later than 30 days after the Execution Date, title reports for the Real Property issued by title insurance companies reasonably satisfactory to the parties (the "Title Companies"). These title reports must show the current status of title to the Real Property. Within 15 days after the date on which CDC delivers all of the title reports to Glacier for its review, Glacier will inform CDC in writing whether, and in what manner, it objects to any of the exceptions to title shown on any of the title reports. CDC will, within 10 days of the date on which it receives the written notice of objection from Glacier, inform Glacier if there are any objections that it is unable to remove at or prior to Closing. CDC will not, however, be obligated to remove exceptions that are non-monetary exceptions that do not prohibit or materially interfere with the use of the properties as bank branch locations. At Closing, if requested by Glacier, CDC will cause the Title Companies to provide Glacier with standard coverage title insurance policies issued with respect to each of the Properties, in an amount commensurate with the value of each such Property as agreed upon by Glacier and CDC, dated as of the Effective Date, insuring fee title in Glacier or such subsidiary of Glacier, as so designated by Glacier, and that each such Real Property is unencumbered by any Liens, other than Liens for taxes

not yet delinquent and other exceptions to title as set forth in the title reports as approved by Glacier.

4.1.13 Directors' and Officers' Liability. Before the Effective Date, CDC will notify its directors' and officers' liability insurers of the Merger and of all pending or, to CDC's Knowledge, threatened claims, actions, suits, proceedings or investigations asserted or claimed against any Person entitled to indemnification pursuant to *Section 6.4* and known to CDC, or circumstances reasonably deemed by Glacier to be likely to give rise thereto, in accordance with terms and conditions of the applicable policies.

4.1.14 Review of Loans. CDC and its Subsidiaries will permit Glacier to conduct an examination of the CDC Banks' loans to determine credit quality and the adequacy of such banks' ALLL. Glacier will have continued access to such loans through Closing to update the examination. At Glacier's reasonable request, the CDC Banks will provide Glacier with current reports updating the information set forth in Schedule 3.1.16.

4.1.15 Conduct of Glacier's Business Before Closing. Glacier will:

- (i) provide CDC with prompt written notice of any events, individually or in the aggregate, that could have a Material Adverse Effect with respect to Glacier;
- (ii) conduct, and cause its Subsidiaries to conduct, their respective businesses in compliance with all material obligations and duties imposed on them by applicable federal and state laws; and
- (iii) maintain all books and records of it and its Subsidiaries, including all financial statements, in accordance with such accounting principles and practices consistent with those used for the Glacier Financial Statements, except for changes in such principles and practices required under GAAP.

4.2 Registration Statement.

4.2.1 Preparation of Registration Statement.

- (i) A Registration Statement on Form S-4 (together with any amendments or supplements, the "Registration Statement") will be filed by Glacier with the SEC under the Securities Act for registration of the Glacier Shares to be issued in the Merger, and the parties will prepare a related prospectus/proxy statement ("Prospectus/Proxy Statement") to be mailed, together with any amendments and supplements thereto, to CDC's shareholders.
- (ii) The parties will cooperate with each other in preparing the Registration Statement and Prospectus/Proxy Statement, and will use their best efforts to obtain the clearance of the SEC, any appropriate state securities regulators and any other required regulatory approvals, to issue the Prospectus/Proxy Statement.
- (iii) Nothing will be included in the Registration Statement or the Prospectus/Proxy Statement or any proxy solicitation materials with respect to any party to this Agreement unless approved by that party, which approval will not be unreasonably withheld. When the Registration Statement becomes effective, and at all times subsequent to such effectiveness (up to and including the date of the

CDC Meeting), all information set forth in the Registration Statement that is or to be furnished by or on behalf of Glacier relating to Glacier and by or on behalf of CDC relating to CDC, (1) will comply in all material respects with the provisions of the Securities Act and any other applicable statutory or regulatory requirements, and (2) will not contain any untrue statement of a material fact or omit to state a material fact that is required to be stated or necessary to make the statements in the Registration Statement not misleading; provided, however, that in no event will any party be liable for any untrue statement of a material fact or omission to state a material fact in the Registration Statement where such statement or omission, as the case may be, was made in reliance upon, and in conformity with, written information concerning another party furnished by or on behalf of such other party specifically for use in the Registration Statement.

- (iv) Glacier will pay all fees and costs associated with the preparation by Glacier's counsel (and other professional advisors) and the filing of the Registration Statement. CDC will pay all costs associated with its review and preparation of the Registration Statement and the Prospectus/Proxy Statement. CDC will pay the costs associated with the printing and mailing of the Prospectus/Proxy Statement to its shareholders and any other direct costs incurred by it in connection with the Prospectus/Proxy Statement.

4.2.2 Submission to Shareholders.

- (i) Glacier and CDC will submit the Prospectus/Proxy Statement to, and will use their best efforts in good faith to obtain the prompt approval of the Prospectus/Proxy Statement by, all applicable regulatory authorities. The parties will provide each other with copies of such submissions for review.
- (ii) CDC will promptly take the actions necessary in accordance with applicable law and its Articles of Incorporation and Bylaws to convene a shareholders' meeting to consider the approval of this Agreement and to authorize the transactions contemplated by this Agreement (such meeting and any adjournment or postponement thereof, the "CDC Meeting"). The CDC Meeting will be held on the earliest practical date after the date the Prospectus/Proxy Statement may first be sent to CDC's shareholders without objection by applicable governmental authorities. CDC's board of directors and officers will recommend approval of the Merger to CDC's shareholders.

4.3 Affiliate Letters.

4.3.1 Affiliate List. Certain persons may be deemed "affiliates" of CDC under Rule 145 of the Securities Act. Set forth in Schedule 4.3.1 is a list of names and addresses of CDC's "affiliates" with respect to the Merger within the meaning of Rule 145. Before the date that the Registration Statement is filed with the SEC, CDC will deliver, or cause to be delivered, to Glacier a letter, dated as of the date of its delivery and in the form attached as Exhibit A, from each of these "affiliates" and from any additional person who becomes an "affiliate" before the Effective Date and after the Execution Date of this Agreement.

4.3.2 Restrictive Legends. Glacier will place a restrictive legend on all certificates representing Glacier Shares to be received by an "affiliate" so as to preclude their transfer

or disposition in violation of the affiliate letters. Glacier will also instruct its transfer agent not to permit the transfer of those shares and to take any other steps reasonably necessary to ensure compliance with Rule 145.

4.4 Submission to Regulatory Authorities. Representatives of Glacier will prepare and file with applicable regulatory agencies, applications for approvals, waivers or other actions deemed necessary or desirable, in the opinion of counsel, in order to consummate the Merger. Glacier will provide copies of such applications for review by CDC prior to their submission to the applicable regulatory authorities. These applications are expected to include:

- (i) An application to the Federal Reserve and related filings regarding the Merger.
- (ii) An application to the Federal Reserve and related filings regarding the formation of Holdings.
- (iii) Filings and coordination with the offices of the Commissioner and Montana Secretary of State with respect to the Merger and the formation of Holdings.

4.5 Public Announcements. Subject to written advice of legal counsel with respect to legal requirements relating to public disclosure of matters related to the subject matter of this Agreement, the timing and content of any announcements, press releases or other public statements concerning the Merger will occur upon, and be determined by, the mutual consent of CDC and Glacier.

4.6 Consents. Each party to this Agreement will use its best efforts to obtain the timely consent or approval of any Person whose consent or approval is required in order to permit Glacier or Holdings and CDC to consummate the Merger.

4.7 Further Actions. The parties to this Agreement will use their best efforts in good faith to make all such arrangements, do or cause to be done all such acts and things, and execute and deliver all such certificates and other instruments and documents as may be reasonably necessary or appropriate in order to consummate the Merger promptly.

4.8 Notice. The parties will provide each other with prompt written notice of:

- (i) Any events that, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect with respect to them.
- (ii) The commencement of any proceeding against any one or more of them by or before any court or governmental agency that, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect with respect to any one or more of them.
- (iii) In the case of CDC and its Subsidiaries, the acquisition of an ownership or leasehold interest in any real property (except as disclosed in Schedule 3.1.6), as specified in *Section 4.1.2*.

4.9 Confidentiality. Subject to the requirements of law, each party will keep confidential, and will exercise its best efforts to cause its representatives to keep confidential, all information and documents obtained pursuant to this Agreement unless such information (i) is required by law to be disclosed, (ii) becomes available to such party from other sources not bound by a

confidentiality obligation, (iii) is disclosed with prior written approval of the party to which such information pertains or is disclosed in a legal action between the parties relating to the Merger, or (iv) is or becomes public without fault of the subject party. If this Agreement is terminated or the Merger otherwise fails to be consummated, each party to this Agreement will promptly (i) return to the other all confidential documents obtained from them and (ii) not use or disclose any nonpublic information obtained under this Agreement or in connection with the Merger.

4.10 Availability of Glacier’s Books, Records and Properties.

- (a) Glacier will make its books, records, properties, contracts and documents available during business hours with reasonable advance notice to CDC and its counsel, accountants and other representatives. These items will be open for inspection, audit and direct verification of loan or deposit balances and collateral receipts. Glacier will cooperate fully in any such inspection, audit, or direct verification procedures, and will make available all information reasonably required by or on behalf of Glacier.
- (b) At CDC’s request, Glacier will request any third parties involved in the preparation or review of (1) Glacier Financial Statements or (2) any audits of Glacier’s operations, loan portfolios or other assets, to disclose to CDC the work papers or any similar materials related to these items.

4.11 Blue Sky Filings. Glacier will use its best efforts to obtain, prior to the effective date of the Registration Statement, any necessary state securities laws or “Blue Sky” permits and approvals.

4.12 Tax Treatment. Neither Glacier and its Subsidiaries nor CDC and its Subsidiaries will take or cause to be taken any action that would or could reasonably be expected to prevent the Merger from qualifying as a reorganization under Section 368(a) of the Code.

4.13 Completion of Distribution of Securities. If Glacier intends to fund all or part of the cash portion of the Merger Consideration by selling shares of its equity securities in a private placement, an offering registered under the Securities Act, or otherwise (collectively, a “Distribution”), it shall complete such Distribution before the commencement of the Determination Period.

4.14 Best Efforts. Subject to the terms and conditions of this Agreement, each party will use its reasonable best efforts in good faith to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or desirable, or advisable under applicable laws, so as to permit consummation of the Merger as early as possible, and to otherwise enable consummation of the transactions contemplated by this Agreement, subject to any delays resulting from SEC review or bank regulatory processing.

**SECTION 5.
APPROVALS AND CONDITIONS**

5.1 Required Approvals. The obligations of the parties to this Agreement are subject to the approval of this Agreement and the Merger by all appropriate regulatory agencies having jurisdiction with respect thereto; provided, however, that no such consent or approval will have imposed any condition or requirement not normally imposed in such transactions that, in the opinion of Glacier, would deprive Glacier of the material economic or business benefits of the Merger and, provided further, that it is acknowledged and agreed that the failure of the Federal

Reserve Board to approve the existence of the Lewistown branch of Western Security and FNB-Lewistown in the same Lewistown marketplace shall not be a condition to close.

5.2 Conditions to Obligations of Glacier. All obligations of Glacier pursuant to this Agreement are subject to satisfaction of the following conditions at or before Closing:

- 5.2.1 Representations and Warranties.** The representations and warranties of CDC contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement that are not qualified as to materiality will be true and correct in all material respects at Closing, and the representations and warranties of CDC contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement that are qualified as to materiality will be true and correct at Closing, all with the same force and effect as though such representations and warranties had been made on and as of Closing (except to the extent that such representations and warranties are by their express provisions made as of a specified date, in which case such representations and warranties will be true and correct in all material respects or true and correct, as the case may be, as of such date). CDC will have delivered to Glacier a certificate to that effect, executed by a duly authorized officer of CDC and dated as of Closing.
- 5.2.2 Compliance.** CDC will have performed and complied, and will have cause the CDC Banks to perform and comply, in all material respects with all terms, covenants and conditions of this Agreement on or before Closing. CDC will have delivered to Glacier a certificate to that effect, executed by a duly authorized officer of CDC and dated as of Closing.
- 5.2.3 Transaction Fees.** CDC Transaction Fees have not exceeded \$810,000. “CDC Transaction Fees” means all costs and expenses incurred by CDC or owed or paid by CDC to investment advisors, independent accountants, legal counsel, printers and other professional advisors in connection with the preparation, negotiation and execution of this Agreement and related documents and the consummation of the Merger, including the fees paid to BKD, LLP in connection with the audit described in *Section 4.1.8*; provided, however, that the fees of BKD, LLP to be included in CDC Transaction Fees shall not exceed \$40,000.
- 5.2.4 Transaction Fees Statements.** CDC has delivered to Glacier a statement, in a form reasonably satisfactory to Glacier, from each third party to whom CDC has paid or owes CDC Transaction Fees. Each statement must set forth the total costs and expenses paid or owing to the third party in connection with the consummation of the Merger. CDC has delivered to Glacier its certificate, executed by a duly authorized officer of CDC and dated as of Closing, stating the total CDC Transaction Fees and certifying that CDC is in compliance with *Section 5.2.3* and this *Section 5.2.4*.
- 5.2.5 No Material Adverse Effect.** Since December 31, 2005, there will have been no material damage, destruction or loss (whether or not covered by insurance) and no other event, individually or in the aggregate, constituting a Material Adverse Effect with respect to CDC or the CDC Banks.

- 5.2.6 Financial Condition.** The following will be true and the certificate of CDC referred to in *Section 5.2.2* will so state:
- (i) In the opinion of the Executive Officers of CDC and the CDC Banks, each CDC Bank's ALLL, as adjusted for any increases or charge-offs reasonably required by BKD, LLP or Glacier, is adequate to absorb such bank's anticipated loan losses.
 - (ii) After giving effect to the payment of all CDC Transaction Fees and the payoff of notes receivable from CDC's stockholders as set forth in the CDC Financial Statements (but excluding the impact of any increase in ALLL or charge-offs or other reserves reasonably required by BKD, LLP or Glacier between March 1, 2006 and Closing), the Capital of CDC will not be less than \$36.1 million at Closing. "Capital" for purposes of this *Section 5.2.6* means CDC's capital stock, surplus and retained earnings determined in accordance with GAAP, except as described on Schedule 3.1.5, applied on a consistent basis for financial institutions, without giving any effect to accumulated other comprehensive income or loss as reported on the CDC consolidated balance sheet.
 - (iii) The aggregate deposits of the CDC Banks, excluding (a) certificates of deposit (or equivalents) of \$100,000 or more and (b) brokered deposits, will not be less than \$300 million at Closing.
- 5.2.7 No Governmental Proceedings.** No action or proceeding will have been commenced or threatened by any governmental agency to restrain or prohibit or invalidate the Merger.
- 5.2.8 Opinion of Counsel.** Counsel to CDC has delivered to Glacier a legal opinion in form and substance reasonably acceptable to CDC and Glacier.
- 5.2.9 Real Property Matters.** Glacier has received the irrevocable commitments by the Title Companies to issue the policies required under *Section 4.1.12*.
- 5.2.10 Corporate and Shareholder Action.** Each of the following will have approved the Merger:
- (i) The Boards of Directors of CDC; and
 - (ii) The shareholders of CDC.
- 5.2.11 Resignation of Directors.** The directors of CDC will have tendered their written resignations from the Board of Directors, to be effective upon consummation of the Merger.
- 5.2.12 Tax Opinion.** Glacier has, at Glacier's expense, obtained from Graham & Dunn PC and delivered to CDC, an opinion addressed to CDC, the Trust, the Foundation and Glacier (in form and substance reasonably satisfactory to CDC and its counsel, and subject to reasonable limitations, conditions and assumptions) substantially to the effect that:
- (i) The Merger will qualify as a reorganization within the meaning of IRC Section 368(a)(1)(A).

- (ii) A holder of CDC Common Stock who receives solely cash in exchange for its shares of CDC Common Stock, and who owns those shares as a capital asset and does not actually or constructively own shares of Glacier after the Merger, will recognize capital gain or loss in an amount equal to the difference between the amount of cash received in the exchange and the holder's aggregate tax basis in its shares of CDC Common Stock. The gain or loss will be long-term capital gain or loss if the shares of CDC Common Stock were held for more than one year.
- (iii) A holder of CDC Common Stock who receives solely Glacier common stock in exchange for its shares of CDC Common Stock will not recognize gain or loss in the exchange (except in respect of cash received in lieu of any fractional share of Glacier common stock).
- (iv) A holder of CDC Common Stock who receives both Glacier common stock and cash consideration in exchange for his, her or its shares of CDC Common Stock will recognize gain, but not loss, in an amount equal to the lesser of (i) the excess of the sum of the fair market value of Glacier common stock and cash received by the holder in the exchange over the holder's tax basis in the CDC Common Stock surrendered in the exchange, and (ii) the amount of cash (excluding any cash received in lieu of fractional shares) received by the holder in the exchange. Any gain recognized by a holder who owns his, her or its shares of CDC Common Stock as a capital asset will be treated as capital gain if the exchange is, with respect to the holder, either "substantially disproportionate" or "not essentially equivalent to a dividend," each within the meaning of IRC Section 302(b). The gain will be long-term capital gain if the shares of CDC Common Stock were held for more than one year.

The exchange will be "substantially disproportionate" with respect to a holder of CDC Common Stock if, immediately after the Merger, the holder owns, actually and constructively, less than 50% of the total combined voting power of all classes of Glacier stock entitled to vote and less than 80% of the percentage of Glacier common stock actually and constructively owned by the holder immediately before the Merger. For purposes of the foregoing determination, the holder is treated as if (i) all its shares of CDC Common Stock were first exchanged in the Merger for shares of Glacier common stock, and (ii) a portion of those shares of Glacier common stock were then redeemed for the cash actually received in the Merger ("hypothetical exchange and redemption").

Whether the exchange will be "not essentially equivalent to a dividend" with respect to a holder of CDC Common Stock will depend upon the holder's particular facts and circumstances. At minimum, however, there must be a "meaningful reduction" in the holder's actual and constructive percentage ownership of Glacier Shares as a result of the hypothetical exchange and redemption. The Internal Revenue Service has ruled that a reduction in the stock ownership of a minority shareholder who owns a small number of shares in a publicly held corporation, and who exercises no control over the affairs of the corporation, will be treated as a meaningful reduction.

- (v) The aggregate tax basis of Glacier common stock received by a holder of CDC Common Stock in the Merger (before reduction by the basis in any fractional

share that the holder is deemed to receive and exchange for cash) will be equal to the aggregate tax basis of the holder in the shares of CDC Common Stock surrendered in the Merger, increased by the amount of any taxable gain recognized by the holder (other than gain recognized as a result of cash received in lieu of a fractional share), and decreased by the amount of any cash received in the Merger (other than cash received in lieu of a fractional share).

- (vi) The holding period of Glacier common stock received by a holder of CDC Common Stock in the Merger will include the period during which the shares of CDC Common Stock surrendered in the exchange were held as a capital asset as of the date of the Merger.
- (vii) If a holder of CDC Common Stock receives cash in lieu of a fractional share interest in such common stock in the Merger, the holder will be treated as having received a fractional share of Glacier common stock and having immediately exchanged that fractional share for cash in a taxable redemption by Glacier.

5.2.13 Affiliate Letters. Glacier has received the affiliate list and letters specified in *Section 4.3.1*.

5.2.14 Registration Statement. The Registration Statement, as it may have been amended, required in connection with the Glacier Shares, and as described in *Section 4.2*, has become effective, and no stop order suspending the effectiveness of such Registration Statement has been issued or remains in effect, and no proceedings for that purpose have been initiated or threatened by the SEC, the basis for which still exists.

5.2.15 Cash Paid. The aggregate amount of the cash to be paid for shares of CDC Common Stock, including Proposed Dissenting Shares, will not exceed sixty percent (60%) of the Total Consideration, as it may be adjusted under this Agreement.

5.2.16 No Change in Loan Review. CDC has provided to Glacier the reports reasonably requested by Glacier under *Section 4.1.14*, and neither these reports nor any examinations conducted by Glacier under *Section 4.1.14* reveal a change in either: (i) the information set forth in Schedule 3.1.16 or (ii) information revealed during Glacier's previous examinations of the CDC Banks' loans, which change constitutes a Material Adverse Effect.

5.3 Conditions to Obligations of CDC. All obligations of CDC pursuant to this Agreement are subject to satisfaction of the following conditions at or before Closing:

5.3.1 Representations and Warranties. The representations and warranties of Glacier contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement that are not qualified as to materiality will be true and correct in all material respects at Closing, and the representations and warranties of Glacier contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement that are qualified as to materiality will be true and correct at Closing, all with the same force and effect as though such representations and warranties had been made on and as of Closing (except to the extent that such representations and warranties are by their express provisions made as of a specified date, in which case such representations and warranties will be true and correct in all material respects or true and correct, as the case may be, as of such date). Glacier will have

delivered to CDC a certificate to that effect, executed by a duly authorized officer of Glacier and dated as of Closing.

- 5.3.2 **Compliance.** Glacier will have performed and complied with all terms, covenants and conditions of this Agreement on or before Closing. Glacier will have delivered to CDC a certificate to that effect, executed by a duly authorized officer of Glacier and dated as of Closing.
- 5.3.3 **No Governmental Proceedings.** No action or proceeding will have been commenced or threatened by any governmental agency to restrain or prohibit or invalidate the Merger.
- 5.3.4 **No Material Adverse Effect.** Since December 31, 2005, there will have been no material damage, destruction or loss (whether or not covered by insurance) and no other event, individually or in the aggregate, constituting a Material Adverse Effect with respect to Glacier.
- 5.3.5 **Tax Opinion.** The tax opinion specified in *Section 5.2.12* has been delivered to CDC.
- 5.3.6 **Corporate Action.** The Board of Directors of Glacier will have approved the Merger:
- 5.3.7 **Registration Statement.** The Registration Statement will have become effective as specified in *Section 5.2.14*.
- 5.3.8 **Blue Sky Filings.** Glacier has received the state securities laws or “Blue Sky” permits and approvals specified in *Section 4.11*.
- 5.3.9 **Payments to the Exchange Agent.** Glacier will have deposited the Merger Consideration with the Exchange Agent.
- 5.3.10 **Approval of CDC Shareholders.** The shareholders of CDC shall have approved the Merger.

SECTION 6. DIRECTORS, OFFICERS AND EMPLOYEES

- 6.1 **Controlling Shareholders.** As a condition to the execution of this Agreement, the Approving Persons described in Recital F have entered into the written agreements described in Recital F on or before the Execution Date. Such agreements will take effect at the Effective Date unless otherwise noted in the applicable agreement.
- 6.2 **Officer’s Employment Contract.** At the Effective Date, the Employment Agreements described in Recital E will take effect.
- 6.3 **Employee Benefit Issues.**
 - 6.3.1 **Comparability of Benefits.** Glacier and CDC intend that, as soon as practicable after consummation of the Merger, (i) the accrued benefits for the employees of CDC and its Subsidiaries under CDC’s Pension Plan that are intended to be qualified under IRC Section 401(a) will be transferred to a similar plan maintained by Glacier, and (ii) CDC’s other existing benefit plans or CDC’s participation in such plans will be terminated. Glacier and CDC recognize that many of the Plans are also maintained by other entities

that will cease to be ERISA Affiliates of CDC after consummation of the Merger, and Glacier and CDC understand that, prior to consummation of the Merger, the assets and liabilities under some or all of those Plans attributable to current or former employees of those ERISA Affiliates may be separated from the assets and liabilities attributable to current or former CDC Employees.

- 6.3.2 Severance Payments.** If the employment of individuals who are CDC Bank employees as of the Execution Date is terminated within three months following the CDC Bank Merger of such employee's CDC Bank as a result of a consolidation of staff functions, such employees will be entitled to receive the severance payment specified in Glacier's Severance Plan for Employees, as in effect at the time of such termination.
- 6.3.3 No Contract Created.** Except as provided in *Section 6.2*, nothing in this Agreement will give any employee a right to continuing employment.
- 6.4 Indemnification of Directors and Executive Officers.** For a period of four (4) years from and after the Effective Date, Glacier will indemnify and defend each present and former director and officer of CDC and the CDC Banks from and against any and all claims, losses, liabilities, judgments, fines, damages, costs, and expenses (including reasonable attorneys' fees) incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative, or investigative, arising out of actions or omissions accruing at or prior to the Effective Date, including, without limitation, the Merger contemplated by this Agreement, to the fullest extent that CDC and/or such CDC Bank is currently permitted to indemnify (and advance expenses to) its directors and officers under applicable law and under their respective articles of incorporation or bylaws in effect at the date of this Agreement. Any determination required to be made with respect to whether an officer's or director's conduct complies with the standard set forth under CDC's or such CDC Bank's articles of incorporation or bylaws will be made by independent counsel (which will not be counsel that provides any services to Glacier or any of its Subsidiaries) selected by Glacier and reasonably acceptable to such officer or director. For a period of four (4) years after the Effective Date, Glacier will use reasonable efforts to cause to be maintained in effect (with reputable and financially sound insurers) director and officer liability insurance substantially similar to that maintained by Glacier with respect to claims arising from facts or events that occurred before the Effective Date.

SECTION 7.

TERMINATION OF AGREEMENT AND ABANDONMENT OF TRANSACTION

- 7.1 Termination by Reason of Lapse of Time.** If Closing does not occur on or before the Termination Date, either Glacier or CDC may terminate this Agreement and the Merger if both of the following conditions are satisfied:
- (a) the terminating party's board of directors decides to terminate by a majority vote of its members; and
 - (b) the terminating party delivers to the other party written notice that its board of directors has voted in favor of termination.
- 7.2 Termination Due To Glacier Average Closing Price Greater Than \$34.88.**
- 7.2.1 CDC's Right to Terminate.** By specific action of its board of directors, CDC may terminate this Agreement and the Merger by written notice to Glacier on the Business

Day immediately following the Determination Date, if the Glacier Average Closing Price is greater than \$34.88. (If Glacier declares or effects a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between the Execution Date and the Determination Date, the price for the Glacier Common Stock will be appropriately adjusted for the purpose of applying this *Section 7.2.1*).

If CDC elects to exercise its termination right pursuant to this *Section 7.2.1*, the provisions of *Section 7.2.2* will apply.

7.2.2 Glacier's Right to Adjust Consideration. If CDC provides written notice to Glacier in accordance with *Section 7.2.1*, then within two Business Days following Glacier's receipt of such notice, Glacier may elect by written notice to CDC to adjust the Per Share Stock Consideration through the issuance of additional Glacier Shares in an amount such that the Per Share Stock Consideration equals the number of shares of Glacier Common Stock that a holder of CDC Common Stock would have received had the Glacier Average Closing Price been \$34.88.

If Glacier makes such election to increase the number of Glacier Shares, no termination will occur pursuant to *Section 7.2.1*, and this Agreement will remain in effect according to its terms (except as the Per Share Stock Consideration has been adjusted).

7.3 Termination Due To Glacier Average Closing Price Less than \$27.13.

7.3.1 Glacier's Right to Terminate. By specific action of its board of directors, Glacier may terminate this Agreement and the Merger by written notice to CDC on the Business Day immediately following the Determination Date, if the Glacier Average Closing Price is less than \$27.13. (If Glacier declares or effects a stock dividend, reclassification, recapitalization, split-up, combination, exchange of shares or similar transaction between the Execution Date and the Determination Date, the price for the Glacier Common Stock will be appropriately adjusted for the purpose of applying this *Section 7.3.*)

If Glacier elects to exercise its termination right pursuant to this *Section 7.3.1*, the provisions of *Section 7.3.2* will apply.

7.3.2 CDC's Right to Adjust Consideration. If Glacier provides written notice to CDC in accordance with *Section 7.3.1*, then within two Business Days following CDC's receipt of such notice, CDC may elect by written notice to Glacier to accept an adjustment to the Per Share Stock Consideration through the issuance of fewer Glacier Shares such that the Per Share Stock Consideration equals the number of shares of Glacier Common Stock that a holder of CDC Common Stock would have received had the Glacier Average Closing Price been \$27.13.

If CDC makes such election to accept such decrease in the number of Glacier Shares, no termination will occur pursuant to *Section 7.3.1*, and this Agreement will remain in effect according to its terms (except as the Per Share Stock Consideration has been adjusted).

7.4 Other Grounds for Termination. This Agreement and the Merger may be terminated at any time before Closing (whether before or after applicable approval of this Agreement by CDC's shareholders, unless otherwise provided) as follows:

- 7.4.1 Mutual Consent.** By mutual consent of CDC and Glacier, if the board of directors of each party agrees to terminate by a majority vote of its members.
- 7.4.2 No Regulatory Approvals.** By either party, if the regulatory approvals required by *Section 5.1* are denied (or if any such required approval is conditioned on a substantial deviation from the Merger); provided, however, that either party will have fifteen (15) Business Days following receipt of such denial to appeal the decision, and if such appeal is timely made, either party will have sixty (60) days to prosecute diligently and overturn such denial, and such other party may not terminate this Agreement pursuant to this *Section 7.4.2* during such period of time.
- 7.4.3 Breach of Representation.** By either party (provided that the terminating party is not then in material breach of any of its representations, warranties, agreements or covenants in this Agreement if they are not qualified as to materiality and is not then in breach of any of its representations, warranties, agreements or covenants in this Agreement if they are qualified as to materiality) if there has been a material breach of any of the representations or warranties set forth in this Agreement that are not qualified as to materiality or a breach of any of the representations or warranties set forth in this Agreement that are qualified as to materiality on the part of the other party, which breach is not cured within thirty days following written notice to the party committing such breach, or which breach, by its nature, cannot be cured prior to the end of such thirty day period; provided, however, that neither party will have the right to terminate this Agreement pursuant to this *Section 7.4.3* unless the breach of such representation or warranty, together with any other such breaches, would entitle the party receiving such representation not to consummate the transactions contemplated hereby under *Section 5.2.1* (in the case of a breach of a representation or warranty by CDC) or *Section 5.3.1* (in the case of a breach of a representation or warranty by Glacier). In the event of termination pursuant to this *Section 7.4.3*, the terminating party will be entitled to receive from the other party the Termination Fee.
- 7.4.4 Breach of Covenant.** By either party (provided that the terminating party is not then in material breach of any of its representations, warranties, agreements or covenants in this Agreement if they are not qualified as to materiality and is not then in breach of any of its representations, warranties, agreements or covenants in this Agreement if they are qualified as to materiality) if there has been a material breach of any of the covenants or agreements set forth in this Agreement that are not qualified as to materiality or a breach of any of the covenants or agreements set forth in this Agreement that are qualified as to materiality on the part of the other party, which breach is not cured within thirty days following written notice to the party committing such breach, or which breach, by its nature, cannot be cured prior to the end of such thirty day period. In the event of termination pursuant to this *Section 7.4.4*, the terminating party will be entitled to receive from the other party the Termination Fee; provided, however, that Glacier will not be entitled to collect the Termination Fee in the event of a breach of *Section 4.1.12* caused by CDC's inability (after good faith effort) to remove exceptions to title as provided for in that section.
- 7.4.5 Failure to Recommend or Obtain Shareholder Approval.** By Glacier (provided that Glacier is not then in material breach of any of its representations, warranties, covenants or other agreements in this Agreement), if (a) CDC's Board of Directors (i) fails to recommend to its shareholders the approval of the Merger or (ii) modifies, withdraws or changes in a manner adverse to Glacier its recommendation to shareholders to approve

the Merger; or (b) regardless of whether CDC's Board of Directors recommends to its shareholders the approval of the Merger, CDC's shareholders elect not to approve the Merger.

- 7.4.6 Impracticability.** By either Glacier or CDC, upon written notice given to the other party, if the board of directors of the party seeking termination under this *Section 7.4.6* has determined in its sole judgment, made in good faith and after due consideration and consultation with counsel, that the Merger has become inadvisable or impracticable by reason of actions taken by the federal government or the government of the State of Montana to restrain or invalidate the Merger or this Agreement.
- 7.4.7 Dissenting Shares.** By Glacier, if holders of 10% or more of the outstanding shares of CDC Common Stock are Proposed Dissenting Shares.
- 7.4.8 Superior Proposal – Termination by CDC.** By the board of directors of CDC upon written notice to Glacier if such board of directors has in good faith determined that a Takeover Proposal constitutes a Superior Proposal; provided, however, that CDC may not terminate this Agreement pursuant to this *Section 7.4.8* unless (i) it has not breached *Section 4.1.11*, (ii) subsequent to delivering such notice of termination, it intends to enter into a letter of intent, acquisition agreement or similar agreement relating to such Superior Proposal, (iii) it has provided Glacier at least five (5) days' prior written notice advising Glacier that the board of directors of CDC is prepared to accept a Superior Proposal and has given Glacier, if it so elects, an opportunity to amend the terms of this Agreement (and negotiated with Glacier in good faith with respect to such terms) in such a manner as would enable CDC's board of directors to proceed with the Merger, and (iv) simultaneously upon entering into such letter of intent, acquisition agreement or similar agreement relating to such Superior Proposal referred to in clause (ii), it delivers to Glacier the Break-Up Fee.
- 7.4.9 Superior Proposal – Termination by Glacier.** By Glacier upon written notice to CDC if (i) an Acquisition Event will have occurred or (ii) a third party will have made a proposal to CDC or its shareholders to engage in or entered into an agreement with respect to an Acquisition Event, and this Agreement and the Merger are not approved at the CDC Meeting.
- 7.5 Termination Fee Payable By CDC.** Due to expenses, direct and indirect, incurred by Glacier in negotiating and executing this Agreement and in taking steps to effect the Merger, CDC will pay to Glacier \$250,000 (the "Termination Fee") if Glacier terminates this Agreement pursuant to *Sections 7.4.3* (breach of representation) or *7.4.4* (breach of covenant). If the Termination Fee becomes payable pursuant to this *Section 7.5*, it will be payable on Glacier's demand and must be paid by CDC within three Business Days following the date of Glacier's demand.
- 7.6 Termination Fee Payable By Glacier.** Due to expenses, direct and indirect, incurred by CDC in negotiating and executing this Agreement and in taking steps to effect the Merger, Glacier will pay to CDC the Termination Fee if CDC terminates this Agreement pursuant to *Sections 7.4.3* (breach of representation) or *7.4.4* (breach of covenant). If the Termination Fee becomes payable pursuant to this *Section 7.6*, it will be payable on CDC's demand and must be paid by Glacier within three Business Days following the date of CDC's demand.
- 7.7 Break-Up Fee.** If (a) this Agreement is terminated pursuant to *Section 7.4.5(a)* (Failure to Recommend or Obtain Shareholder Approval), *Section 7.4.8* (Superior Proposal – Termination by

CDC), or *Section 7.4.9(i)* (Superior Proposal – Termination by Glacier – Immediate Acquisition Event), then CDC will immediately pay to Glacier \$2.25 million (the “Break-Up Fee”). If this Agreement is terminated pursuant to *Section 7.4.9(ii)* (Superior Proposal – Termination by Glacier –Subsequent Acquisition Event) and prior to or within six months after such termination, CDC or the CDC Banks enter into an agreement, or publicly announce an intention, to engage in an Acquisition Event, or within twelve months after such termination an Acquisition Event will have occurred, then CDC will promptly pay to Glacier the Break-Up Fee.

- 7.8** **Cost Allocation Upon Termination.** In connection with the termination of this Agreement under this *Section 7*, except as provided in *Sections 7.5* and *7.6*, Glacier and CDC will each pay its own out-of-pocket costs incurred in connection with this Agreement and will have no other liability to the other party. The parties agree that the agreements herein with respect to the Termination are integral parts of the transactions contemplated by this Agreement and constitute liquidated damages and not a penalty.

SECTION 8. MISCELLANEOUS

- 8.1** **Notices.** Any notice, request, instruction or other document to be given under this Agreement will be in writing and will be delivered personally or sent by registered or certified mail or overnight Federal Express service, postage prepaid, addressed as follows:

Glacier: Glacier Bancorp, Inc.
49 Commons Loop
Kalispell, Montana 59901
Attn: Michael J. Blodnick
President and CEO

with a copy to: Graham & Dunn PC
Pier 70
2801 Alaskan Way Suite 300
Seattle, Washington 98121-1128
Attn: Stephen M. Klein, Esq.
Kumi Y. Baruffi, Esq.

CDC: Citizens Development Company
2812 1st Avenue North, Suite 324
Billings, Montana
Attn: Dean Comes
President

with a copy to: Winthrop & Weinstine, P.A.
224 South Sixth Street, Suite 3500
Minneapolis, MN 55402
Attn: Patrick W. Weber, Esq.
Edward J. Drenttel, Esq.

with a copy to:

Davenport, Evans, Hurwitz & Smith, LLP
206 West 14th Street
Sioux Falls, SD 57104
Attn: David L. Knudson, Esq.
Scott Anderson, Esq.

or to such other address or person as any party may designate by written notice to the other given under this Section.

8.2 Waivers and Extensions. Subject to *Section 9*, Glacier or CDC may grant waivers or extensions to the other party, but only through a written instrument executed by the President and/or CEO of the party granting the waiver or extension. Waivers or extensions that do not comply with the preceding sentence are not effective. In accordance with this *Section 8.2*, a party may extend the time for the performance of any of the obligations or other acts of any other party, and may waive:

- (a) any inaccuracies of any other party in the representations and warranties contained in this Agreement or in any document delivered in connection with this Agreement;
- (b) compliance with any of the covenants of any other party; and
- (c) any other party's performance of any obligations under this Agreement and any other condition precedent set out in *Section 5*.

8.3 Construction and Execution in Counterparts. Except as otherwise expressly provided in this Agreement, this Agreement: (i) covers the entire understanding of the Parties, and no modification or amendment of its terms or conditions will be effective unless in writing and signed by the Parties or their respective duly authorized agents; (ii) will not be interpreted by reference to any of the titles or headings to the Sections or Subsections of this Agreement, which have been inserted for convenience only and are not deemed a substantive part of this Agreement; (iii) is deemed to include all amendments to this Agreement, each of which is made a part of this Agreement by this reference; and (iv) may be executed in one or more counterparts, each of which will be deemed an original, but all of which taken together will constitute one and the same document. References in this Agreement to Recitals, Sections, Subsections or Schedules are references to the Recitals, Sections, Subsections and Schedules of and to this Agreement unless expressly stated otherwise.

8.4 Survival of Representations, Warranties, and Covenants. Except as set forth below, the representations, warranties, agreements and covenants set forth in this Agreement will not survive Closing or termination of this Agreement, except that (1) *Section 4.9* (Confidentiality), *Sections 7.5* and *7.6* (Termination-Related Fees), *Section 7.7* (Break-Up Fee), *Section 7.8* (Cost Allocation Upon Termination), and *Sections 8.3* through *8.8* will survive termination; and (2) the covenants and other agreements in this Agreement that impose duties or obligations on the parties following Closing, including *Section 6.3* (Employee Benefit Issues) and *Section 6.4* (Indemnification), will survive Closing. Except as specifically set forth in the preceding sentences, none of the representations, warranties, agreements or covenants contained in this Agreement shall survive Closing, and neither Glacier nor CDC shall have any rights or remedies after Closing with respect to any breach of any such representations, warranties, agreements or covenants.

- 8.5 Attorneys' Fees and Costs.** In the event of any dispute or litigation with respect to the terms and conditions or enforcement of rights or obligations arising by reason of this Agreement or the Merger, the substantially prevailing party in any such litigation will be entitled to reimbursement from the other party of its costs and expenses, including reasonable attorneys' fees.
- 8.6 Arbitration.** At either party's request, the parties must submit any dispute, controversy or claim arising out of or in connection with, or relating to, this Agreement or any breach or alleged breach of this Agreement, to arbitration under the American Arbitration Association's rules then in effect (or under any other form of arbitration mutually acceptable to the parties). A single arbitrator agreed on by the parties will conduct the arbitration. If the parties cannot agree on a single arbitrator, each party must select one arbitrator and those two arbitrators will select a third arbitrator. This third arbitrator will hear the dispute. The arbitrator's decision is final (except as otherwise specifically provided by law) and binds the parties, and either party may request any court having jurisdiction to enter a judgment and to enforce the arbitrator's decision. The arbitrator will provide the parties with a written decision naming the substantially prevailing party in the action. This prevailing party is entitled to reimbursement from the other party for its costs and expenses, including reasonable attorneys' fees. Any arbitration or related proceedings will take place in Yellowstone County, Montana.
- 8.7 Governing Law and Venue.** This Agreement will be governed by and construed in accordance with the laws of the State of Montana, except to the extent that federal law may govern certain matters. The parties must bring any legal proceeding arising out of this Agreement in Yellowstone County, Montana. Each party consents to and submits to the jurisdiction of any local state or federal court located in Yellowstone County, Montana.
- 8.8 Severability.** If a court determines that any term of this Agreement is invalid or unenforceable under applicable law, the remainder of this Agreement will not be affected thereby, and each remaining term will continue to be valid and enforceable to the fullest extent permitted by law.
- 8.9 No Assignment.** Neither this Agreement nor any of the rights, interests or obligations under this Agreement may be assigned by any of the parties (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Except as otherwise expressly provided, this Agreement (including the documents and instruments referred to in this Agreement) is not intended to confer upon any person other than the parties any rights or remedies under this Agreement.

SECTION 9. AMENDMENTS

Subject to applicable law, this Agreement and the form of any attached Exhibit or Schedule may be amended upon authorization of the boards of directors of the parties, whether before or after the CDC Meeting; provided, however, that after approval by CDC's shareholders, no amendment will be made changing the form or reducing the amount of consideration to be received by the shareholders of CDC without the further approval of such shareholders. All amendments, modifications, extensions and waivers must be in writing and signed by the party agreeing to the amendment, modification, extension or waiver.

[signatures on next page]

This Plan and Agreement of Merger is dated as of the 20th day of April, 2006.

GLACIER BANCORP, INC.

By: /s/ Michael J. Blodnick
Michael J. Blodnick, President and CEO

CITIZENS DEVELOPMENT COMPANY

By: /s/ Dean Comes
Dean Comes, President

STATE OF MONTANA)
) ss.
COUNTY OF FLATHEAD)

On this 20th day of April, 2006, before me personally appeared Michael J. Blodnick, to me known to be the President and CEO of **Glacier Bancorp, Inc.**, a corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

IN WITNESS OF THE FOREGOING, I have set my hand and official seal to this document as of the day and year first written above.

 /s/ LeAnn Wardinsky
NOTARY PUBLIC in and for the State of
Montana, residing at Kalispell
My Commission expires: 7-21-2007

STATE OF MONTANA)
) ss.
COUNTY OF YELLOWSTONE)

On this 20th day of April, 2006, before me personally appeared Dean Comes, to me known to be the President of **Citizens Development Company**, a corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

IN WITNESS OF THE FOREGOING, I have set my hand and official seal to this document as of the day and year first written above.

 /s/ Susan B. Trapp
NOTARY PUBLIC in and for the State of
Montana, residing at Lewiston
My Commission expires: April 25, 2007

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- Schedule 3.1.2 Third Party Consents Required by CDC/CDC Banks
- Schedule 3.1.3 Capital Stock – CDC/CDC Banks
- Schedule 3.1.5 CDC Financial Statements
- Schedule 3.1.6 CDC Properties
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- Schedule 3.1.11 CDC Material Contracts
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- Schedule 3.1.17 CDC Litigation
- Schedule 3.1.18 CDC Insurance Policies
- Schedule 3.1.20 CDC Benefit Plans
- Schedule 4.3.1 CDC Rule 145 Affiliates

EXHIBITS:

- Exhibit A Form of Affiliate Letter