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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Office of the Secretary of State
Corporations Division
100 North Main Street
Providence, Rhode Island 02903-1335

ARTICLES OF MERGER OR CONSOLIDATION INTO
(To Be Filed In Duplicate Original)

The Washington Trust Company of Westerly
(Insert full name of surviving or new entity on this line)

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SECRETARY OF STATE
AUG 25 2 32 PM '99

SECTION I: TO BE COMPLETED BY ALL MERGING OR CONSOLIDATING ENTITIES

Pursuant to the applicable provisions of the Rhode Island General Laws, 1956, as amended, the undersigned entities submit the following Articles of ☒ Merger or ☐ Consolidation (check one box only) for the purpose of merging or consolidating them into one entity.

a. The name and type (for example, business corporation, non-profit corporation, limited liability company, limited partnership, etc.) of each of the merging or consolidating entities and the states under which each is organized are:

| Name of entity | Type of entity | State under which entity is organized |
|--|-----------------------|---------------------------------------|
| The Washington Trust Company of Westerly | Financial Institution | Rhode Island |
| Pier Bank | Financial Institution | Rhode Island |

FILED

AUG 25 1999

By CO # 63 224359

b. The laws of the state under which each entity is organized permit such merger or consolidation.

c. The full name of the surviving or new entity is The Washington Trust Company of Westerly
which is to be governed by the laws of the State of Rhode Island.

d. The attached Plan of Merger or Consolidation was duly authorized, approved, and executed by each entity in the manner prescribed by the laws of the state under which each entity is organized. (Attach Plan of Merger or Consolidation)

e. If the surviving entity's name has been amended via the merger, please state the new name:

f. If the surviving or new entity is to be governed by the laws of a state other than Rhode Island, and such surviving or new entity is not qualified to conduct business in the State of Rhode Island, the entity agrees that it may be served with process in Rhode Island in any proceeding for the enforcement of any obligation of any domestic entity which is a party to the merger or consolidation; it irrevocably appoints the Secretary of State as its agent to accept service of process in any action, suit, or proceeding; and the address to which a copy of such process of service shall be mailed to it by the Secretary of State is:

g. The future effective date (which shall be a date or time certain no more than thirty (30) days after the filing of the Articles of Merger or, in the case of a subsidiary merger, on or after the 30th day after the mailing of a copy of the agreement of merger to the shareholders of the subsidiary corporation) of the merger or consolidation is upon filing (if upon filing, so state).

SECTION II: TO BE COMPLETED ONLY IF ONE OR MORE OF THE MERGING OR CONSOLIDATING ENTITIES IS A BUSINESS CORPORATION PURSUANT TO TITLE 7, CHAPTER 1.1 OF THE RHODE ISLAND GENERAL LAWS, AS AMENDED.

a. If one or more of the merging or consolidating entities is a business corporation (except one whose shareholders are not required to approve the agreement under Section 7-1.1-87, or does not require shareholder approval pursuant to the laws of the state under which the corporation is organized, in which event that fact shall be set forth), state below as to each business corporation, the total number of shares outstanding entitled to vote on the Plan of Merger or Consolidation, respectively, and, if the shares

SECTION IV: TO BE COMPLETED ONLY IF ONE OR MORE OF THE MERGING OR CONSOLIDATING ENTITIES IS A LIMITED PARTNERSHIP PURSUANT TO TITLE 7, CHAPTER 13 OF THE RHODE ISLAND GENERAL LAWS, AS AMENDED

- a. The agreement of merger or consolidation is on file at the place of business of the surviving or resulting domestic limited partnership or other business entity and the address thereof is:
- b. A copy of the agreement of merger or consolidation will be furnished by the surviving or resulting domestic limited partnership or other business entity, on request and without cost, to any partner of any domestic limited partnership or any person holding an interest in any other business entity which is to merge or consolidate.

SECTION V: TO BE COMPLETED BY ALL MERGING OR CONSOLIDATING ENTITIES

The Washington Trust Company of Westerly
Entity Name
By: John F. Treanor President and Chief Operating Officer
Name of person signing John F. Treanor Title of person signing
By: Harvey C. Perry II Senior Vice President and Secretary
Name of person signing Harvey C. Perry II Title of person signing

STATE OF RI
COUNTY OF Washington
In Westerly on this 25th day of August, 1999 before me personally appeared Harvey C. Perry II & John F. Treanor, who being duly sworn declared that he/she is the SVP & President of the above-named entity and that he/she signed the foregoing document as such authorized agent, and that the statements therein contained are true.

Notary Public
My Commission Expires: 8/6/01

Pier Bank
Entity Name
By: Joseph E. LaPlume President
Name of person signing Joseph E. LaPlume Title of person signing
By: Gail M. Garreau Senior Vice President & Secretary
Name of person signing GAIL M. GARREAU Title of person signing

STATE OF Rhode Island
COUNTY OF Washington
In South Kingstown on this 25th day of August, 1999 before me personally appeared Joseph E. LaPlume & Gail M. Garreau, who being duly sworn declared that he/she is the President & SVP of the above-named entity and that he/she signed the foregoing document as such authorized agent, and that the statements therein contained are true.

Approved: Tom Schumpert Director
Dept. of Business Regulation
Harriet L. Clave
Notary Public
My Commission Expires: 4/17/01

Approved: 8/25/99

AGREEMENT AND PLAN OF MERGER

By and Among

THE WASHINGTON TRUST COMPANY OF WESTERLY
("WTC")

WASHINGTON TRUST BANCORP, INC.
("PARENT")

and

PIER BANK
("BANK")

Dated as of February 22, 1999

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of February 22, 1999 (this "Agreement"), by and among Washington Trust Bancorp, Inc., a Rhode Island corporation ("Parent"), The Washington Trust Company of Westerly, a Rhode Island chartered trust company and wholly-owned subsidiary of Parent ("WTC"), and Pier Bank, a Rhode Island chartered bank ("Bank").

WHEREAS, the Boards of Directors of Parent, WTC and Bank have each determined that it is in the best interests of their respective stockholders for Bank to merge with and into WTC (the "Merger") upon the terms and subject to the conditions set forth herein, and in furtherance of such acquisition, have each approved the transactions contemplated by this Agreement, including without limitation the Merger; and

WHEREAS, as a condition precedent to entering into this Agreement Parent has required that Bank grant it an option to purchase authorized but unissued shares of Bank common stock and, as a consequence, Parent and Bank have also entered into a Stock Option Agreement, dated the date hereof (the "Stock Option Agreement"); and

WHEREAS, the parties desire to make certain representations, warranties, covenants and agreements in connection with the transactions contemplated hereby and also to prescribe certain conditions hereto.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants, agreements, representations and warranties contained herein, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

THE MERGER

1.01 The Merger. Subject to the terms and conditions of this Agreement, and in accordance with Title 19 of the General Laws of Rhode Island and the Rhode Island Business Corporation Act (the "RIBCA"), at the Effective Time (as defined in Section 1.03 hereof), Bank will merge with and into WTC. WTC shall be the surviving bank (sometimes referred to herein as the "Surviving Bank") in the Merger and shall continue its existence under the laws of the State of Rhode Island. The name of the Surviving Bank shall continue to be The Washington Trust Company. Upon consummation of the Merger, the separate existence of Bank shall cease.

1.02 Plan of Merger. This Agreement shall constitute a plan of merger for purposes of Section 7-1.1-65 of the RIBCA.

1.03 Effective Time. The Merger shall become effective on the Closing Date (as defined in Section 9.01 hereof) at the time (the "Effective Time") set forth in the articles of

merger with respect to the Merger (the "Articles of Merger") to be filed with the Secretary of State of the State of Rhode Island (the "Secretary") pursuant to Section 7-1.1-68 of the RIBCA.

1.04 Effects of the Merger. At and after the Effective Time, the Merger shall have the effects provided herein and set forth in Section 7-1.1-69 of the RIBCA. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of Bank shall vest in the Surviving Bank, and all debts, liabilities, obligations, restrictions, disabilities and duties of Bank shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Bank.

1.05 Conversion of Bank Common Stock.

(a) At the Effective Time, each share of common stock of Bank, par value \$1.00 per share ("Bank Common Stock") (shares of Bank Common Stock being sometimes collectively referred to herein as "Shares"), issued and outstanding immediately prior to the Effective Time and all rights attached thereto (other than (i) shares of Bank Common Stock held in Bank's treasury or directly or indirectly by Parent or Bank or any of their respective Subsidiaries (as defined below) (except Trust Account Shares and DPC Shares (as such terms are defined in Section 1.05(b) hereof), and (ii) Dissenting Shares (as such term is defined in Section 1.06 hereof)), shall, by virtue of this Agreement and without any action on the part of the holder thereof, be converted into and exchangeable for the number of shares (the "Exchange Rate") of the common stock, par value \$.0625 per share, of Parent ("Parent Common Stock"), rounded to the nearest thousandth of a share, determined by dividing \$8.60 by \$19.0404 (the "Initial Parent Common Stock Price"). The Exchange Rate initially in effect shall be subject to adjustment as follows:

(w) if the Average Parent Common Stock Price (as hereinafter defined) is greater than 90% and less than 110% of the Initial Parent Common Stock Price, there will be no adjustment to the Exchange Rate;

(x) if the Average Parent Common Stock Price is equal to or less than 90% of the Initial Parent Common Stock Price, the Exchange Rate shall be adjusted to be equal to the Exchange Rate initially in effect multiplied by a fraction, the numerator of which is 90% of the Initial Parent Common Stock Price and the denominator of which is the Average Parent Common Stock Price; provided that, subject to Section 8.01, the Exchange Rate as so adjusted shall not exceed the Exchange Rate initially in effect multiplied by 1.125 (i.e., quotient of 90% of the Initial Parent Common Stock Price divided by 80% of the Initial Parent Common Stock Price);

(y) if the Average Parent Common Stock Price is equal to or greater than 110% of the Initial Parent Common Stock Price, the Exchange Rate shall be adjusted by multiplying the Exchange Rate by a fraction, the numerator of which is 110% of the Initial Parent Common Stock Price and the denominator of which is the Average Parent Common Stock Price; provided that the Exchange Rate as so adjusted shall not be less than the Exchange

Rate initially in effect multiplied by .9167 (i.e., the quotient of 110% of the Initial Parent Common Stock Price divided by 120% of the Initial Parent Common Stock Price); and

(z) notwithstanding the foregoing provisions, if a Change in Control shall have occurred and the Average Parent Common Stock Price exceeds the Initial Parent Common Stock Price, the Exchange Rate shall be equal to the Exchange Rate initially in effect multiplied by a fraction, the numerator of which is the Average Parent Common Stock Price and the denominator is the Initial Parent Common Stock Price.

The "Average Parent Common Stock Price" shall mean the average closing sale price per share of Parent Common Stock, as reported on the NASDAQ National Market, for the fifteen (15) consecutive trading days ending on and including the date all Requisite Regulatory Approvals have been obtained (the "Approval Date"). A "Change in Control" shall be deemed to have occurred if prior to the Approval Date, Parent shall have entered into an agreement involving, or there shall have occurred, (i) a merger, consolidation or other similar transaction involving Parent in which the stockholders of Parent immediately prior to such transaction own less than 50% of the combined voting power of the surviving entity, (ii) a sale, lease or other disposition of all or substantially all of the assets of Parent or (iii) the acquisition of beneficial ownership of 50% or more of the outstanding shares of capital stock of Parent by any person or group of persons after the date hereof. In the event a Change in Control is consummated prior to the Approval Date, for purposes of Section 1.05(a)(z) hereof, the "Average Parent Common Stock Price" shall mean the average closing sale price per share of Parent Common Stock, as reported on the NASDAQ National Market, for the fifteen (15) consecutive trading days ending on and including the date such Change in Control is consummated, and a holder of Bank Common Stock shall be entitled to receive such stock, cash or other assets which such holder would have received if he, she or it had held such number of shares of Parent Common Stock as so determined pursuant to Section 1.05(a)(z) on the date such Change in Control is consummated.

All of the shares of Bank Common Stock converted into Parent Common Stock pursuant to this Article I shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each certificate (each a "Certificate") previously representing any such shares shall thereafter represent the right to receive (i) the number of whole shares of Parent Common Stock and (ii) cash in lieu of fractional shares into which the shares of Bank Common Stock represented by such Certificate have been converted pursuant to this Section 1.05 and Section 2.02(e) hereof (the "Merger Consideration"). Certificates previously representing shares of Bank Common Stock shall be exchanged for certificates representing whole shares of Parent Common Stock and cash in lieu of fractional shares issued in consideration therefor upon the surrender of such Certificates in accordance with Section 2.02 hereof, without any interest thereon. For all purposes under this Article I, each share of Parent Common Stock shall be deemed to include any related preferred share purchase right issued pursuant to the Rights Agreement between Parent and WTC dated as of August 15, 1996.

(b) At the Effective Time, all shares of Bank Common Stock that are owned by Bank as treasury stock and all shares of Bank Common Stock that are owned directly or indirectly

by Parent or Bank or any of their respective Subsidiaries (other than (i) shares of Bank Common Stock held directly or indirectly in trust accounts, managed accounts and the like or otherwise held in a fiduciary capacity that are beneficially owned by third parties (any such shares of Bank Common Stock, whether held directly or indirectly by Parent or Bank, as the case may be, being referred to herein as "Trust Account Shares") and (ii) shares of Bank Common Stock held by Parent or Bank or any of their respective Subsidiaries in respect of a debt previously contracted (any such shares of Bank Common Stock, whether held directly or indirectly by Parent or Bank or any of their respective Subsidiaries, being referred to herein as "DPC Shares")) shall be canceled and shall cease to exist and no stock of Parent or other consideration shall be delivered in exchange therefor.

(c) If prior to the Effective Time Parent should split or combine its Common Stock or other convertible securities, or pay a dividend or other distribution in such Common Stock or other convertible securities, then the Exchange Rate shall be appropriately adjusted to reflect such split, combination, dividend or distribution.

1.06 Rights With Respect to Dissenting Shares.

(a) Notwithstanding anything in this Agreement to the contrary and unless otherwise provided by applicable law, shares of Bank Common Stock that are issued and outstanding immediately prior to the Effective Time and that are owned by stockholders who have properly exercised and perfected their rights of appraisal within the meaning of Sections 7-1.1-73 and 7-1.1-74 of the RIBCA (the "Dissenting Shares"), shall not be converted into the right to receive the Merger Consideration, unless and until such stockholders shall have failed to perfect or shall have effectively withdrawn or lost their right of appraisal and payment under applicable law. If any such stockholder shall have failed to perfect or shall have effectively withdrawn or lost such right of appraisal, each share of Bank Common Stock held by such stockholder shall thereupon be deemed to have been converted into the right to receive and become exchangeable for, at the Effective Time, the Merger Consideration pursuant to Section 1.05(a) hereof.

(b) Bank shall give Parent (i) prompt notice of any demands for appraisal received by Bank, withdrawals of such demands, and any other instruments served in connection with such demands pursuant to the RIBCA and received by Bank and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the RIBCA consistent with the obligations of Bank thereunder. Bank shall not, except with the prior written consent of Parent, (x) make any payment with respect to any demands for appraisal, (y) offer to settle or settle any such demands or (z) waive any failure to timely deliver a written demand for appraisal in accordance with the RIBCA.

1.07 Agreement to Form. At and after the Effective Time, the Agreement to Form of WTC as it exists immediately prior to the Effective Time shall not be amended by the Merger, but shall continue as the Agreement to Form of the Surviving Bank until thereafter amended in accordance with applicable law and such Agreement to Form.

1.08 By-Laws. At and after the Effective Time, the by-laws of WTC as they exist immediately prior to the Effective Time shall continue as the by-laws of the Surviving Bank until thereafter amended in accordance with applicable law, the Agreement to Form of the Surviving Bank and such by-laws.

1.09 Directors and Officers of the Surviving Bank. The directors and officers of WTC in office immediately prior to the Effective Time shall hold office in accordance with the Agreement to Form of the Surviving Bank, until their respective successors are duly elected or appointed and qualified.

1.10 Tax Consequences. It is intended that the Merger shall constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement shall constitute a "plan of reorganization" for the purposes of Section 368 of the Code.

1.11 Accounting Treatment. It is intended that the Merger be accounted for as a "pooling of interests" under generally accepted accounting principles ("GAAP").

ARTICLE II

EXCHANGE OF CERTIFICATES

2.01 Parent to Make Shares Available. At or prior to the Effective Time, Parent shall deposit, or shall cause to be deposited, with WTC, or such other bank or trust company selected by Parent (and reasonably acceptable to Bank) (the "Exchange Agent"), for the benefit of the holders of Certificates, for exchange in accordance with this Article II, certificates representing the aggregate number of shares of Parent Common Stock and the aggregate amount of cash in lieu of fractional shares (such cash and certificates for shares of Parent Common Stock, together with any dividends or distributions with respect thereof, being hereinafter referred to as the "Exchange Fund") to be issued pursuant to Section 1.05 and paid pursuant to Section 2.02(a) in exchange for outstanding shares of Bank Common Stock.

2.02 Exchange of Certificates.

(a) As soon as practicable after the Effective Time, and in no event later than four business days thereafter, the Exchange Agent shall mail to each holder of record of a Certificate a form letter of transmittal (which shall be in such form and have such provisions as Parent and Bank may reasonably specify and which shall specify that delivery shall be effected, and risk of loss and title to the Certificate shall pass, only upon delivery of the Certificate to the Exchange Agent) and instructions for use in effecting the surrender of the Certificate in exchange for certificates representing the shares of Parent Common Stock and the cash in lieu of fractional shares, if any, into which the shares of Bank Common Stock represented by such Certificate shall have been converted pursuant to this Agreement. Upon surrender of a Certificate for exchange

and cancellation to the Exchange Agent, together with such letter of transmittal, duly executed, the holder of such Certificate shall be entitled to receive in exchange therefor (x) a certificate representing that number of whole shares of Parent Common Stock to which such holder of Bank Common Stock shall have become entitled pursuant to the provisions of this Article II and (y) a check representing the amount of cash in lieu of fractional shares, if any, and unpaid dividends and distributions, if any, which such holder has the right to receive in respect of the Certificate surrendered pursuant to the provisions of this Article II, and the Certificate so surrendered shall forthwith be canceled. No interest will be paid or accrued to or for the benefit of holders of Certificates on the cash in lieu of fractional shares and unpaid dividends and distributions, if any.

(b) No dividends or other distributions declared after the Effective Time with respect to Parent Common Stock and payable to the holders of record thereof shall be paid to the holder of any unsurrendered Certificate until the holder thereof shall surrender such Certificate in accordance with this Article II. After the surrender of a Certificate in accordance with this Article II, the record holder thereof shall be entitled to receive any such dividends or other distributions, without any interest thereon, which theretofore had become payable with respect to shares of Parent Common Stock represented by such Certificate. No holder of an unsurrendered Certificate shall be entitled, until the surrender of such Certificate, to vote the shares of Parent Common Stock into which his Bank Common Stock shall have been converted.

(c) If any certificate representing shares of Parent Common Stock is to be issued in a name other than that in which the Certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the Certificate so surrendered shall be properly endorsed (or accompanied by an appropriate instrument of transfer) and otherwise in proper form for transfer, and that the person requesting such exchange shall pay to the Exchange Agent in advance any transfer or other taxes required by reason of the issuance of a certificate representing shares of Parent Common Stock in any name other than that of the registered holder of the Certificate surrendered, or required for any other reason, or shall establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(d) After the Effective Time, there shall be no transfers on the stock transfer books of Bank of the shares of Bank Common Stock which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates representing such shares are presented for transfer to the Exchange Agent, they shall be canceled and exchanged for certificates representing shares of Parent Common Stock as provided in this Article II.

(e) Notwithstanding anything to the contrary contained herein, no certificates or scrip representing fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Certificates, no dividend or distribution with respect to Parent Common Stock shall be payable on or with respect to any fractional share, and such fractional share interests shall not entitle the owner thereof to vote or to any other rights of a shareholder of Bank. In lieu of the issuance of any such fractional share, Parent shall pay to each former stockholder of Bank who otherwise would be entitled to receive a fractional share of Parent Common Stock an amount in cash determined by multiplying (i) the Parent Common Stock Price by (ii) the fraction of a share

of Parent Common Stock to which such holder would otherwise be entitled to receive pursuant to Section 1.05 hereof.

(f) Any portion of the Exchange Fund (including the proceeds of any investments thereof and any Parent Common Stock) that remains unclaimed by the stockholders of Bank for 6 months after the Effective Time shall be paid to Parent. Any stockholders of Bank who have not theretofore complied with this Article II shall thereafter look only to Parent for payment of the shares of Parent Common Stock, cash in lieu of fractional shares and unpaid dividends and distributions on the Parent Common Stock deliverable in respect of each share of Bank Common Stock such stockholder holds as determined pursuant to this Agreement, without any interest thereon. Notwithstanding the foregoing, none of Parent, WTC, Bank, the Exchange Agent nor any other person shall be liable to any former holder of shares of Bank Common Stock for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(g) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, upon the posting by such person of a bond in such amount as Parent may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate, the shares of Parent Common Stock and cash in lieu of fractional shares deliverable in respect thereof pursuant to this Agreement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF BANK

Except, with respect to any section of this Article III, as set forth in the corresponding section of the Disclosure Schedule (the "Disclosure Schedule") that Bank is delivering to Parent and WTC concurrently herewith, Bank hereby represents and warrants to Parent and WTC as follows:

3.01 Corporate Organization.

(a) Bank is a bank duly organized, validly existing and in good standing under the laws of the State of Rhode Island. The deposit accounts of Bank are insured by the Federal Deposit Insurance Corporation ("FDIC") through the Bank Insurance Fund (the "BIF") to the fullest extent permitted by law, and all premiums and assessments required in connection therewith have been paid by Bank. Bank has the power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified, either

individually or in the aggregate, would not have a Material Adverse Effect on Bank. "Material Adverse Effect" as used in this Agreement means a material adverse effect on the properties, business, assets, financial condition or prospects of the relevant party and its affiliates, taken as a whole. The Agreement to Form and By-laws or other similar governing documents of Bank, copies of which have previously been delivered to Parent, are true, complete and correct copies of such documents as in effect as of the date of this Agreement.

(b) Bank's Subsidiaries (as hereinafter defined) are listed in Section 3.01(b) of the Disclosure Schedule. As used in this Agreement, "Subsidiary" when used with respect to Bank means any corporation, partnership or other organization, whether incorporated or unincorporated, which is or was consolidated with Bank (or with which Bank is or was consolidated) for financial reporting purposes.

(c) The minute books of Bank and its Subsidiaries, in all material respects, contain true, complete and accurate records of all meetings and other corporate actions held or taken since January 1, 1996 of their respective stockholders and Boards of Directors (including committees of their respective Boards of Directors).

3.02 Capitalization.

(a) The authorized capital stock of Bank consists of 5,000,000 shares of Bank Common Stock and 100,000 shares of preferred stock, face value \$10.00 per share (the "Bank Preferred Stock"). As of the date of this Agreement, there are (i) 1,599,854 shares of Bank Common Stock issued and outstanding and 59,400 shares of Bank Common Stock held in its treasury, and (x) 250,000 shares of Bank Common Stock reserved for issuance pursuant to the 1997 Equity Incentive Plan, (y) 319,810 shares of Bank Common Stock reserved for issuance upon exercise of the Stock Option Agreement, (z) shares reserved as described in Section 3.02 of the Disclosure Schedule, and (ii) no shares of Bank Preferred Stock issued or outstanding and 75,100 shares of Bank Preferred Stock held in its treasury, and no shares of Bank Preferred Stock reserved for issuance upon exercise of outstanding stock options or otherwise. All of the issued and outstanding shares of Bank Common Stock have been duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. Except as referred to above or reflected in Section 3.02(a) of the Disclosure Schedule, Bank does not have and is not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of Bank Common Stock or any other equity security of Bank or any securities representing the right to purchase or otherwise receive any shares of Bank Common Stock or any other equity security of Bank. The names of the optionees, the date of each option to purchase Bank Common Stock granted, the number of shares subject to each such option, the expiration date of each such option, and the price at which each such option may be exercised under the Stock Option Plan are set forth in Section 3.02(a) of the Disclosure Schedule.

(b) Except as contemplated herein, there are no agreements or understandings, with respect to the voting of any shares of Bank Common Stock or which restrict the transfer of

such shares to which Bank is a party, and there are no such agreements or understandings to which Bank is not a party with respect to the voting of any such shares or which restrict the transfer of such shares.

(c) Bank owns, directly or indirectly, all of the issued and outstanding shares of capital stock of its Subsidiaries, free and clear of all liens, charges, encumbrances and security interests whatsoever, and all of such shares are duly authorized and validly issued and are fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof. Bank's Subsidiaries do not have and are not bound by any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character calling for the purchase or issuance of any shares of capital stock or any other equity security of Bank or any securities representing the right to purchase or otherwise receive any shares of capital stock or any other equity security of Bank. At the Effective Time, there will not be any outstanding subscriptions, options, warrants, calls, commitments or agreements of any character by which Bank or any of its Subsidiaries will be bound calling for the purchase or issuance of any shares of the capital stock of Bank or any of its Subsidiaries.

3.03 Authority; No Violation.

(a) Bank has full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Bank. The Board of Directors of Bank has directed that this Agreement and the transactions contemplated hereby be submitted to Bank's stockholders for approval at a meeting of such stockholders and, except for the adoption of this Agreement by the requisite vote of Bank's stockholders, no other corporate proceedings on the part of Bank is necessary to approve this Agreement, and to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Bank and constitutes a valid and binding obligation of Bank, enforceable against Bank in accordance with its terms.

(b) Neither the execution and delivery of this Agreement by Bank, nor the consummation by Bank of the transactions contemplated hereby, nor compliance by Bank with any of the terms or provisions hereof, will (i) violate, conflict with or result in a breach of any provision of the Agreement to Form, By-Laws or other similar governing documents of Bank, (ii) assuming that the consents and approvals referred to in Section 3.04 hereof are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Bank, or any of their respective properties or assets, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or an event, which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the respective properties or assets of Bank under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Bank is a party, or by which they or any of

their respective properties or assets may be bound or affected, except (in the case of clause (y) above) for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, would not have or be reasonably likely to have a Material Adverse Effect on Bank.

3.04 Consent and Approvals. Except for (a) the filing of applications and notices, as applicable, with (i) the FDIC and (ii) the Director of the Department of Business Regulation of the State of Rhode Island (the "Director"), and the consent to and approval of such applications and notices, (b) the filing with the Securities and Exchange Commission (the "SEC") of a registration statement on Form S-4 (the "Registration Statement"), including a proxy statement (the "Proxy Statement") in definitive form relating to the meeting of Bank's stockholders (the "Stockholder Meeting") to be held to approve this Agreement and the transactions contemplated hereby, which Proxy Statement shall be part of and included in the prospectus (the "Prospectus") filed as a part of the Registration Statement by Parent relating to the offering of Parent Common Stock pursuant to the terms of this Agreement, (c) the approval of this Agreement by the requisite vote of the stockholders of Bank, (d) the filing with the Secretary of the Articles of Merger, (e) such filings, authorizations or approvals as may be set forth in Section 3.04 of the Disclosure Schedule, and (f) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of shares of Parent Common Stock pursuant to this Agreement, no consents or approvals of or filings or registrations with any court, administrative agency or commission or other governmental authority or instrumentality (each a "Governmental Entity") or with any third party are necessary in connection with the execution and delivery by Bank of this Agreement and the consummation of the Merger and the other transactions contemplated hereby.

3.05 Loan Portfolio; Reports.

(a) Except as set forth in Section 3.05 of the Disclosure Schedule hereto, to the knowledge of Bank all of the loans having a principal amount in excess of \$100,000 reflected as assets on Bank's consolidated balance sheet included in the financial statements for the fiscal year ended December 31, 1998 accompanying the Call Report for the year ended December 31, 1998 filed by Bank with the FDIC or made or acquired by Bank since December 31, 1998 (each a "Loan"), were validly and legally made, constitute valid and binding agreements of the borrower enforceable in accordance with their terms ((i) subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally, (ii) subject to general principles of equity, and (iii) provided that certain remedies, waivers and other provisions of the loan documents may not be enforceable, but such unenforceability will not render the loan documents invalid as a whole or preclude (x) the judicial enforcement of the obligation of the borrower to repay the principal thereon as provided in the note or (y) the foreclosure of the mortgage), are saleable in the ordinary course of Bank's business and no amount thereof is subject to any defenses which may be asserted against Bank. Bank has not entered into any agreement which will result in a future waiver or negation of any material rights or remedies presently available against the borrower or guarantor, if any, on any such Loan. Except as set forth on in Section 3.05 of the Disclosure Schedule, each mortgage securing a Loan has been and is evidenced by documentation of the types customarily employed by Bank, which are consistent in all material

respects with federal and state banking practices and prudent banking standards, and complete copies thereof have been maintained by Bank in accordance with such standards and practices, is properly perfected, represents a valid mortgage on properties described therein, and is saleable in the ordinary course of Bank's business. Except with respect to participation loans described in Section 3.05 of the Disclosure Schedule, Bank owns and holds the entire interest in all mortgages free and clear of all liens, claims, equities, options, security interests, charges, encumbrances or restrictions of any kind or nature, and no person has any interest therein.

(b) Except as disclosed in Section 3.05 of the Disclosure Schedule, to Bank's knowledge, all of the Loans presently held by Bank were solicited, originated and exist in material compliance with all applicable loan policies and procedures of Bank and comply in all material respects with all applicable laws, rules and regulations, including, but not limited to, applicable usury statutes, the Truth in Lending Act, the Equal Credit Opportunity Act, the Real Estate Settlement Procedures Act, and other applicable consumer protection statutes and the regulations thereunder.

(c) Except as disclosed in Section 3.05 of the Disclosure Schedule, all Loans purchased or originated by Bank and subsequently sold have been sold without recourse to Bank and without any liability under any yield maintenance or similar obligation.

(d) Except as set forth in Section 3.05 of the Disclosure Schedule, Bank is not a party to any written or oral loan agreement, note or borrowing arrangement (including without limitation, leases, credit enhancements, commitments and interest-bearing assets) under the terms of which the obligor is, as of the date of this Agreement, over 30, 60 or 90 days delinquent in payment of principal or interest or in material default of any other provision. Section 3.05 of the Disclosure Schedule sets forth (x) all of the Loans presently held by Bank having a principal amount in excess of \$50,000 that prior to the date of this Agreement have been classified by Bank or any bank examiner (whether regulatory or internal) as "Other Loans Specially Mentioned," "Special Mention," "Substandard," "Doubtful," "Loss," "Classified," "Criticized," "Watch List" or words of similar import, together with the principal amount of and accrued and unpaid interest on each such Loan and the identity of the borrower thereunder, and (y) by category of Loan (i.e., commercial, consumer, etc.), all of the other Loans presently held by Bank that prior to the date of this Agreement were classified as such, together with the aggregate principal amount of and accrued and unpaid interest on such Loans by category.

(e) Bank has timely filed all material reports, registrations and statements, together with any amendments required to be made with respect thereto, that it was required to file since December 31, 1993 with the FDIC, the Director and any other federal or state banking commissions or any other federal or state regulatory authority (collectively, "Regulatory Agencies"), and has paid all fees and assessments due and payable in connection therewith. Except for normal examinations conducted by a Regulatory Agency in the regular course of the business of Bank, no Regulatory Agency has initiated any proceeding or, to the best knowledge of Bank, investigation into the business or operations of Bank since December 31, 1997. There

is no unresolved material violation, criticism or exception by any Regulatory Agency with respect to any written report or statement relating to any examination of Bank by any Regulatory Agency.

3.06 Financial Statements.

(a) Bank has previously delivered to Parent copies of the consolidated balance sheets of Bank and its Subsidiaries as of December 31 for the fiscal years 1996 and 1997 as included in Call Reports filed by Bank with the FDIC for December 31, 1996 and December 31, 1997, respectively, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal years 1995 through 1997, inclusive, in each case accompanied by the audit report of Shatswell, MacLeod & Company, P.C., independent public accountants, with respect to Bank. The December 31, 1997 consolidated balance sheet of Bank (including the related notes, where applicable) fairly presents the consolidated financial position of Bank and its Subsidiaries as of the date thereof, and the other financial statements referred to in this Section 3.06 (including the related notes, where applicable) fairly present (subject, in the case of the unaudited statements, to recurring audit adjustments normal in nature and amount) the results of the consolidated operations and changes in shareholders' equity and consolidated financial position of Bank and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth; each of such statements (including the related notes, where applicable) comply in all material respects with applicable accounting requirements and each of such statements (including the related notes, where applicable) has been prepared in accordance with GAAP consistently applied during the periods involved, except as indicated in the notes thereto. Bank has previously made available to Parent copies of the consolidated balance sheet of Bank and its Subsidiaries as of December 31, 1998 and the related consolidated statement of operations prepared by Bank, in each case unaudited and without footnotes, and such financial statements fairly present in all material respects the consolidated financial position of Bank and its Subsidiaries as of December 31, 1998 and the results of consolidated operations for the year then ended. Without limiting the generality of the foregoing, (x) the allowance for possible loan losses included in the consolidated financial statements of Bank for the period ended December 31, 1998 was determined in accordance with GAAP to be adequate to provide for losses relating to or inherent in the loan and lease portfolios of Bank and its Subsidiaries (including without limitation commitments to extend credit), and (y) the Other Real Estate Owned ("OREO") included in the consolidated financial statements of Bank for the period ended December 31, 1997 and for the period ended December 31, 1998 was carried net of reserves at the lower of cost or market value based on current appraisals and net of estimated disposal costs. Such reserves for possible loan losses comply in all material respects with all loan loss reserve guidelines utilized by Bank, which guidelines have been acceptable to all regulatory agencies having jurisdiction with respect thereto.

(b) Bank has furnished to Parent all Call Reports filed by it with the FDIC with respect to any period subsequent to the year ended December 31, 1996, and except as set forth in Section 3.06 of the Disclosure Schedule, such Call Reports fairly present the financial position of Bank as of its date, and the other financial statements included therein fairly present the results of operations or other information about Bank included therein for the periods or as of the dates therein set forth, subject to the notes thereto, in each case in accordance, in all material respects,

with the applicable regulatory requirements, and reflect all of Bank's assets, liabilities and accruals and all of its items of income and expense in accordance with such standards consistently applied during the periods involved.

(c) The books and records of Bank have been, and are being, maintained in accordance with applicable legal and accounting requirements, reflect only actual transactions and reflect all of their assets, liabilities and accruals. All accounting ledgers and other books and records of Bank are maintained at the principal office of Bank in South Kingstown, Rhode Island.

3.07 Undisclosed Liabilities. Except (i) as set forth in Section 3.07 of the Disclosure Schedule, (ii) for liabilities incurred in the ordinary course of business consistent with past practice since December 31, 1998, and (iii) reasonably foreseeable performance obligations under contracts otherwise disclosed in the Disclosure Schedule, Bank has no liabilities or obligations of any nature whatsoever (whether absolute, accrued, contingent or otherwise) which are not adequately reserved or reflected on the consolidated balance sheet of Bank for the period ending December 31, 1998, except for liabilities or obligations which in the aggregate do not exceed \$50,000, and there do not exist any circumstances that, to the best knowledge of Bank, could reasonably be expected to result in any such liabilities or obligations.

3.08 Absence of Certain Changes or Events. Except as may be set forth in Section 3.08 of the Disclosure Schedule, since December 31, 1997:

(a) there has not been any Material Adverse Effect on Bank and, to the best knowledge of Bank, no fact or condition exists which will, or is reasonably likely to, cause such a Material Adverse Effect on Bank in the future, including without limitation any material loss of deposits or material decline in the value of the assets held in Bank's portfolio;

(b) Bank and its Subsidiaries have carried on their respective businesses in the ordinary and usual course consistent with past practice;

(c) neither Bank nor any of its Subsidiaries has (i) incurred any obligations or liabilities, whether absolute, accrued, contingent or otherwise (including without limiting the generality of the foregoing, liabilities as guarantor under any guarantees or liabilities for taxes), other than those obligations and liabilities (x) incurred in the ordinary course of its business consistent with past practice, or (y) incurred under the contracts and commitments referred to in Section 3.15 hereof; (ii) mortgaged, pledged, or subjected to any lien or lease any of its assets, tangible or intangible, or permitted or suffered any such asset to be subjected to any lien or lease, except in the ordinary course of business consistent with past practice; (iii) acquired or disposed of any assets or properties, or entered into any contract for any such acquisition or disposition, except acquisitions and dispositions in the ordinary course of business consistent with past practice;

(d) neither Bank nor any of its Subsidiaries has declared, paid, or set apart any sum or property for any dividend or other distribution or paid or transferred any funds or property to the shareholders of Bank or, directly or indirectly, redeemed or otherwise acquired any of its capital stock.

(e) Bank has not increased the wages, salaries, compensation, pensions, or other fringe benefits or perquisites payable to any executive officer, employee or director from the amount thereof in effect as of December 31, 1998 (which amounts have been previously disclosed to Parent), granted any severance or termination pay, entered into any contract to make or grant any severance or termination pay, or paid any bonus other than year-end bonuses for fiscal 1997 as listed in Section 3.08 of the Disclosure Schedule;

(f) neither Bank nor any its Subsidiaries has forgiven or canceled any indebtedness or contractual obligation other than in the ordinary course of business consistent with past practice;

(g) neither Bank nor any of its Subsidiaries has entered into any transaction other than in the ordinary course of business consistent with past practice;

(h) neither Bank nor any of its Subsidiaries has suffered any strike, work stoppage, slowdown, or other labor disturbance;

(i) neither Bank nor any of its Subsidiaries has entered into any lease of real property or personal property except in the ordinary course of business consistent with past practice;

(j) there has not been any change in any of the accounting methods or practices or the loan policies or procedures of Bank or any of its Subsidiaries or any change in the value at which assets are carried on the consolidated or unconsolidated balance sheets of Bank other than changes that are reflected in their respective profit and loss statements; and

(k) there has not been any notice or indication of the intention of any person or entity to terminate any material agreement with Bank or any of its Subsidiaries; or any notice or indication from any material depositor, customer or supplier of Bank or any of its Subsidiaries of any intention to cease doing business with, materially change the price or other terms on which business is transacted with or materially reduce the business transacted with Bank or any Subsidiary.

3.09 Legal Proceedings. Except as set forth in Section 3.09 of the Disclosure Schedule, neither Bank nor any of its Subsidiaries is a party to any, and there are no pending or, to the best of Bank's knowledge, threatened, legal, administrative, arbitral or other proceedings, claims, actions or governmental or regulatory investigations of any nature against or affecting Bank or any of its Subsidiaries or challenging the validity or propriety of the transactions contemplated by this Agreement, and to the best of Bank's knowledge there is no reasonable basis for any other material

proceeding, claim, action or governmental or regulatory investigation against Bank or any of its Subsidiaries. There is no injunction, order, judgment, decree, or regulatory restriction imposed upon Bank, any of its Subsidiaries, or the assets of Bank or any of its Subsidiaries which has had, or might reasonably be expected to have, a Material Adverse Effect on Bank or a material adverse effect on the ability of Bank or any of its Subsidiaries to acquire any property or conduct business in any area in which it presently does business.

3.10 Taxes and Tax Returns. Except as disclosed in Section 3.10 of the Disclosure Schedule, (i) all reports and returns with respect to Taxes (as defined below) that are required to be filed by or with respect to Bank or any of its Subsidiaries, including without limitation consolidated Federal, state, county and local and other tax and information returns of Bank and its Subsidiaries (collectively, the "Tax Returns"), have been duly filed, or requests for extensions have been timely filed and have not expired, and each such Tax Return was, as of the date it was filed, true, complete and accurate in all material respects, (ii) all Taxes and other governmental charges which have been incurred (whether or not shown on any Tax Return) or are due or claimed to be due from Bank or its Subsidiaries by federal, state, county, local or other taxing authorities on or prior to the date hereof, have been paid in full other than charges that are not yet delinquent or are being contested in good faith and that are properly reflected on Bank's financial statements in accordance with GAAP, (iii) Tax Returns for all years to and including 1997 have been examined by the appropriate taxing authority, except as disclosed in Section 3.10 of the Disclosure Schedule, or the period for assessment of the Taxes in respect of which such Tax Returns were required to be filed has expired, (iv) all Taxes due with respect to completed and settled examinations have been paid in full, (v) there are no material disputes pending, or claims asserted for Taxes or assessments upon Bank or any of its Subsidiaries, except as reserved against in Bank's financial statements and disclosed in Section 3.10 of the Disclosure Schedule, (vi) no waivers of statutes of limitations (including such statutes that relate to years currently under examination by the IRS) have been given by or requested with respect to any Taxes of Bank or any of its Subsidiaries, (vii) the amounts set up as reserves for Taxes on Bank's financial statements are sufficient in the aggregate for the payment of all unpaid Taxes, whether or not disputed, accrued or applicable, for the period ended December 31, 1998 or for any year or period prior thereto and (viii) no claim has ever been made by an authority in a jurisdiction where Bank or any of its Subsidiaries do not file Tax Returns that Bank or any of its Subsidiaries is or may be subject to taxation by that jurisdiction. In addition, (a) proper and accurate amounts have been withheld by Bank and Subsidiaries from their employees, independent contractors, creditors, stockholders and other third parties for all prior periods in compliance in all material respects with the tax withholding provisions of applicable Federal, state, county, local and other tax laws, (b) Federal, state, county, local and other Tax returns which are accurate and complete in all material respects have been timely filed by Bank and its Subsidiaries for all periods for which returns were due with respect to income tax withholding, Social Security and unemployment taxes and (c) the amounts shown on such returns to be due and payable have been paid in full. No property of Bank or any of its Subsidiaries is property that Bank or any of its Subsidiaries is or will be required to treat as being owned by another person pursuant to the provisions of Section 168(f)(8) of the Code (as in effect prior to its amendment by the Tax Reform Act of 1986) or is "tax-exempt use property" within the meaning of Section 168(h) of the Code. Neither Bank nor any of its Subsidiaries has

been required to include in income any adjustment pursuant to Section 481 of the Code by reason of a voluntary change in accounting method initiated by Bank or any of its Subsidiaries, and the Internal Revenue Service has not initiated or proposed any such adjustment or change in accounting method. Neither Bank nor any of its Subsidiaries is a party to any agreement, contract or arrangement that would result, either individually or in the aggregate, in the payment of an "excess parachute payment" within the meaning of Section 280G of the Code or that would result in payments that would be nondeductible pursuant to Section 162(m) of the Code. None of Bank or any of its Subsidiaries (A) has been a member of a consolidated, combined or affiliated group of corporations (other than a group the common parent of which is Bank) or (B) has any liability for the Taxes of any person or entity (other than Bank or any of its Subsidiaries) under Treasury Regulation Section 1.1502-6 or similar provision of state, local or foreign law, as a transferee or successor, by contract or otherwise. None of Bank or any of its Subsidiaries is a party to any Tax allocation or sharing agreement.

As used in this Agreement, the term "Tax" or "Taxes" means any and all Federal, state, county, local or foreign income, excise, gross receipts, ad valorem, profits, property, production, sales, use, payroll, employment, severance, withholding, license, franchise and other taxes, charges, levies or like assessments imposed on Bank or its Subsidiaries, together with interest, additions, or penalties with respect thereto and any interest in respect of each addition and penalty.

3.11 Employees.

(a) Section 3.11 of the Disclosure Schedule sets forth a list of every Employee Program that has been maintained by Bank or an Affiliate (as defined in this Section 3.11) at any time during the six-year period ending on the Closing Date.

(b) Each Employee Program which has ever been maintained by Bank or an Affiliate and which has been intended to qualify under Section 401(a) or 501(c)(9) of the Code has received a favorable determination or approval letter from the Internal Revenue Service ("IRS") regarding its qualification under such section and has, in fact, been qualified under the applicable section of the Code from the effective date of such Employee Program through and including the Closing Date (or, if earlier, the date that all of such Employee Program's assets were distributed). No event or omission has occurred which would cause any such Employee Program to lose its qualification or otherwise fail to satisfy the relevant requirements to provide tax-favored benefits under the applicable Code Section (including without limitation Code Sections 105, 125, 401(a) and 501(c)(9)). Each asset held under any such Employee Program may be liquidated or terminated without the imposition of any redemption fee, surrender charge or comparable liability. No partial termination (within the meaning of Section 411(d)(3) of the Code) has occurred with respect to any Employee Program.

(c) Neither Bank nor any Affiliate knows, nor should any of them reasonably know, of any failure of any party to comply with any laws applicable with respect to the Employee Programs that have ever been maintained by Bank or any Affiliate. With respect to any Employee Program ever maintained by Bank or any Affiliate, there has been

no (i) "prohibited transaction," as defined in Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Code Section 4975, (ii) failure to comply with any provision of ERISA, other applicable law, or any agreement, or (iii) non-deductible contribution, which, in the case of any of (i), (ii), or (iii), could subject Bank or any Affiliate to liability either directly or indirectly (including, without limitation, through any obligation of indemnification or contribution) for any damages, penalties, or taxes, or any other loss or expense. No litigation or governmental administrative proceeding (or investigation) or other proceeding (other than those relating to routine claims for benefits) is pending or threatened with respect to any such Employee Program. All payments and/or contributions required to have been made (under the provisions of any agreements or other governing documents or applicable law) with respect to all Employee Programs ever maintained by Bank or any Affiliate, for all periods prior to the Closing Date, either have been made or have been accrued (and all such unpaid but accrued amounts are described on Section 3.11 of the Disclosure Schedule).

(d) Neither Bank nor any Affiliate (i) has ever maintained any Employee Program which has been subject to title IV of ERISA or Code Section 412 or ERISA Section 302, including, but not limited to, any Multiemployer Plan or (ii) has ever provided health care or any other non-pension benefits to any employees after their employment is terminated (other than as required by part 6 of subtitle B of title I of ERISA) or has ever promised to provide such post-termination benefits.

(e) Neither Bank nor any Affiliate has incurred any liability under title IV of ERISA which has not been paid in full prior to the Closing. There has been no "accumulated funding deficiency" (whether or not waived) with respect to any Employee Program ever maintained by Bank or any Affiliate and subject to Code Section 412 or ERISA Section 302. With respect to any Employee Program maintained by Bank or any Affiliate and subject to Title IV of ERISA, there has been no (nor will there be any as a result of the transactions contemplated by this Agreement) (i) "reportable event," within the meaning of ERISA Section 4043 or the regulations thereunder, for which the notice requirement is not waived by the regulations thereunder, and (ii) event or condition which presents a material risk of a plan termination or any other event that may cause Bank or any Affiliate to incur liability or have a lien imposed on its assets under Title IV of ERISA. Except as described in Section 3.11 of the Disclosure Schedule, no Employee Program maintained by Bank or any Affiliate and subject to Title IV of ERISA (other than a Multiemployer Plan) has any "unfunded benefit liabilities" within the meaning of ERISA Section 4001(a)(18), as of the Closing Date. Neither Bank nor any Affiliate has ever maintained a Multiemployer Plan. None of the Employee Programs ever maintained by Bank or any Affiliate has ever provided health care or any other non-pension benefits to any employees after their employment is terminated (other than as required by part 6 of subtitle B of title I of ERISA) or has ever promised to provide such post-termination benefits.

(f) With respect to each Employee Program maintained by Bank within the six years preceding the Closing Date, complete and correct copies of the following documents

(if applicable to such Employee Program) have previously been delivered to Parent: (i) all documents embodying or governing such Employee Program, and any funding medium for the Employee Program (including, without limitation, trust agreements) as they may have been amended to the date hereof; (ii) the most recent IRS determination or approval letter with respect to such Employee Program under Code Section 401(a) or 501(c)(9), and any applications for determination or approval subsequently filed with the IRS; (iii) the six most recently filed IRS Forms 5500, with all applicable schedules and accountants' opinions attached thereto; (iv) the six most recent actuarial valuation reports completed with respect to such Employee Program; (v) the summary plan description for such Employee Program (or other descriptions of such Employee Program provided to employees) and all modifications thereto; (vi) any insurance policy (including any fiduciary liability insurance policy or fidelity bond) related to such Employee Program; (vii) any registration statement or other filing made pursuant to any federal or state securities law and (viii) all correspondence to and from any state or federal agency within the last six years with respect to such Employee Program.

(g) Each Employee Program required to be listed on Section 3.11 of the Disclosure Schedule may be amended, terminated, or otherwise modified by Bank to the greatest extent permitted by applicable law, including the elimination of any and all future benefit accruals under any Employee Program and no employee communications or provision of any Employee Program document has failed to effectively reserve the right of Bank or the Affiliate to so amend, terminate or otherwise modify such Employee Program.

(h) Each Employee Program ever maintained by Bank (including each non-qualified deferred compensation arrangement) has been maintained in compliance with all applicable requirements of federal and state securities laws including (without limitation, if applicable) the requirements that the offering of interests in such Employee Program be registered under the Securities Act of 1933 and/or state "Blue Sky" laws.

(i) Each Employee Program ever maintained by Bank or an Affiliate has complied with the applicable notification and other applicable requirements of the Consolidated Omnibus Budget Reconciliation Act of 1985, Health Insurance Portability and Accountability Act of 1996, the Newborns' and Mothers' Health Protection Act of 1996, and the Mental Health Parity Act of 1996.

(j) For purposes of this Section 3.11:

(i) "Employee Program" means (A) all employee benefit plans within the meaning of ERISA Section 3(3), including, but not limited to, multiple employer welfare arrangements (within the meaning of ERISA Section 3(40)), plans to which more than one unaffiliated employer contributes and employee benefit plans (such as foreign or excess benefit plans) which are not subject to ERISA; (B) all stock option plans, stock purchase plans, bonus or incentive award plans, severance pay policies or agreements, deferred compensation agreements,

supplemental income arrangements, vacation plans, and all other employee benefit plans, agreements, and arrangements (including any informal arrangements) not described in (A) above, including without limitation, any arrangement intended to comply with Code Section 120, 125, 127, 129 or 137; and (C) all plans or arrangements providing compensation to employee and non-employee directors. In the case of an Employee Program funded through a trust described in Code Section 401(a) or an organization described in Code Section 501(c)(9), or any other funding vehicle, each reference to such Employee Program shall include a reference to such trust, organization or other vehicle.

(ii) An entity “maintains” an Employee Program if such entity sponsors, contributes to, or provides benefits under or through such Employee Program, or has any obligation (by agreement or under applicable law) to contribute to or provide benefits under or through such Employee Program, or if such Employee Program provides benefits to or otherwise covers employees of such entity (or their spouses, dependents, or beneficiaries).

(iii) An entity is an “Affiliate” of Bank if it would have ever been considered a single employer with Bank under ERISA Section 4001(b) or part of the same “controlled group” as Bank for purposes of ERISA Section 302(d)(8)(C).

(iv) “Multiemployer Plan” means an employee pension or welfare benefit plan to which more than one unaffiliated employer contributes and which is maintained pursuant to one or more collective bargaining agreements.

3.12 Reports. Bank has previously delivered to Parent an accurate and complete copy of each prospectus, offering circular, proxy statement and any other communications mailed by Bank to its stockholders since January 1, 1995 (collectively, the “Bank Reports”), and no such Bank Reports contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading.

3.13 Bank Information. The information supplied by Bank contained in the Prospectus including the Proxy Statement to be sent to the stockholders of Bank in connection with the Stockholder Meeting, or in any other document filed with any other regulatory agency in connection herewith, will not contain, on the date of mailing of the Prospectus and on the date of the Stockholder Meeting, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not false or misleading. Notwithstanding the foregoing, Bank makes no representation or warranty with respect to information supplied or to be supplied by Parent or any of its Subsidiaries or affiliate which is contained in any of the foregoing documents.

3.14 Compliance with Applicable Law.

(a) Except as set forth in Section 3.14 of the Disclosure Schedule, Bank and each of its Subsidiaries holds, and has at all times held, all material licenses, franchises, permits and authorizations necessary for the lawful conduct of its business under and pursuant to all, and has complied with and is not in default in any material respect under any, applicable law, statute, order, rule, regulation, policy and/or guideline of any Governmental Entity relating to Bank or any of its Subsidiaries, and Bank does not know of, nor has received notice of, any violation of any of the above. Without limiting the generality of the foregoing, Bank and each of its Subsidiaries is in compliance in all material respects with the applicable provisions of the Community Reinvestment Act of 1977, as amended, and the regulations promulgated thereunder, and neither Bank nor any of its Subsidiaries has not been advised of the existence of any fact or circumstance or set of facts or circumstances which would cause Bank or its Subsidiaries to fail to be in satisfactory compliance with such provisions.

(b) Except as set forth in Section 3.14 of the Disclosure Schedule, during the last three years, there have been no examinations or other notifications or reports prepared by any Governmental Entity or Regulatory Agency, authority or instrumentality with respect to Bank and furnished to Bank, and no governmental or regulatory authority, agency or instrumentality has furnished to Bank any written objections or suggestions with respect to, or given any written notice of, any deficiency or need for remedial or other action with respect to the records or operations of, or conduct of business by, Bank.

(c) Except as set forth in Section 3.14 of the Disclosure Schedule, to Bank's knowledge, Bank will not be required, based upon current FDIC interpretations, to divest any assets currently held by it or discontinue any activity currently conducted as a result of the Federal Deposit Insurance Corporation Improvement Act of 1991, any regulations promulgated thereunder, or otherwise.

3.15 Certain Contracts.

(a) Except as set forth in Section 3.15 of the Disclosure Schedule, neither Bank nor any of its Subsidiaries is a party to or bound by any contract, arrangement, commitment or understanding (whether written or oral): (i) with respect to the employment of any director, officer, employee or consultant, (ii) which, upon the consummation of the transactions contemplated by this Agreement will (either alone or upon the occurrence of any additional act or event) result in any payment (whether of severance pay or otherwise) becoming due from Parent, WTC, Bank, the Surviving Bank, or any of their respective Subsidiaries to any officer or employee thereof, (iii) which is a material contract (as defined in Item 601(b)(10) of Regulation S-K of the SEC) to be performed after the date of this Agreement that has not been filed or incorporated by reference in the Bank Reports, (iv) which is a consulting agreement (including data processing, software programming and licensing contracts) not terminable on 60 days or less notice involving the payment of more than \$25,000 per annum, (v) which materially restricts the conduct of any line of business by Bank or any of its Subsidiaries, (vi) with or to a labor union

or guild (including any collective bargaining agreement), or (vii) (including any stock option plan, stock appreciation rights plan, restricted stock plan or stock purchase plan) any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement, or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement. Bank has previously delivered to Parent true and correct copies of all employment, consulting and deferred compensation agreements which are in writing and to which Bank or any of its Subsidiaries is a party. Each contract, arrangement, commitment or understanding of the type described in this Section 3.15(a), whether or not set forth in Section 3.15 of the Disclosure Schedule, is referred to herein as a "Bank Contract."

(b) Except as set forth in Section 3.15 of the Disclosure Schedule, (i) each Bank Contract listed on such Disclosure Schedule is valid and binding and in full force and effect, (ii) Bank and each of its Subsidiaries has in all material respects performed all obligations required to be performed by it to date under each such Bank Contract, and (iii) no event or condition exists which constitutes or, after notice or lapse of time or both, would constitute, a material default on the part of Bank or any of its Subsidiaries under any such Bank Contract.

3.16 Agreements with Regulatory Agencies. Except as set forth in Section 3.16 of the Disclosure Schedule, neither Bank nor any of its Subsidiaries is, or was within the last three years, subject to any cease-and-desist or other order issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or a party to any commitment letter or similar understanding 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 resolution at the request of (each, whether or not set forth in Section 3.16 of the Disclosure Schedule, a "Regulatory Agreement"), with any Regulatory Agency or other Governmental Entity that restricts its investment or other activities or the conduct of its business or that in any manner relates to its capital adequacy, its credit policies, its management or its business, nor has Bank or any of its Subsidiaries been advised by any Regulatory Agency or other Governmental Entity that it is considering issuing or requesting any Regulatory Agreement. Neither Bank nor any of its Subsidiaries is a party to any agreement or arrangement entered into in connection with the consummation of a federally assisted acquisition of a depository institution pursuant to which Bank or any of its Subsidiaries is entitled to receive financial assistance or indemnification from any Regulatory Agency or other Governmental Entity.

3.17 Investment Securities. Except for pledges to secure public and trust deposits, Federal Reserve borrowings, repurchase agreements and reverse repurchase agreements entered into in arms' length transactions pursuant to normal commercial terms and conditions and other pledges required by law, none of the investments reflected in the consolidated balance sheet of Bank for the period ended December 31, 1998 as included with the Call Report filed by Bank with the FDIC for the period ended December 31, 1998, and none of the investments made by Bank or any of its Subsidiaries since December 31, 1998, is subject to any restriction (contractual, statutory or otherwise) that would materially impair the ability of the entity holding such investment freely to dispose of such investment at any time. Bank has (a) properly reported as

such any investment securities which are required under GAAP to be classified as "held for sale" at the lower of cost or market, and (b) accounted for any decline in the market value of its marketable equity securities portfolio in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 12 and Staff Accounting Bulletin No. 59, including without limitation the recognition through Bank's consolidated statement of income of any unrealized loss with respect to any individual marketable equity security as a realized loss in the accounting period in which a decline in the market value of such security is determined to be "other than temporary."

3.18 Derivative Transactions. Neither Bank nor any of its Subsidiaries has engaged in transactions in or involving forwards, futures, options on futures, swaps, structured notes or other derivative instruments.

3.19 Intellectual Property. Bank and each of its Subsidiaries owns or possesses valid and binding licenses and other rights to use all material patents, copyrights, trade secrets, trade names, servicemarks and trademarks used in its businesses, each without payment, and neither Bank nor any of its Subsidiaries has received any notice of conflict with respect thereto that asserts the rights of others. Bank and each of its Subsidiaries have performed in all material respects all the obligations required to be performed by them and are not in default in any material respect under any contract, agreement, arrangement or commitment relating to any of the foregoing.

3.20 Broker's Fees; Opinion. Neither Bank nor any of its Subsidiaries, nor any of their respective officers or directors, has employed any broker or finder or incurred any liability for any broker's fee, commission or finder's fee in connection with any of the transactions contemplated by this Agreement other than fees paid to Tucker Anthony Incorporated to serve as its financial advisor and in connection with Bank receiving the opinion of Tucker Anthony Incorporated to the effect that, as of the date of this Agreement, the consideration to be received by the stockholders of Bank pursuant to the Merger is fair, from a financial point of view, to such stockholders, and such opinion has not been amended or rescinded as of the date of this Agreement.

3.21 Environmental Matters.

(a) Except as set forth in Section 3.21 of the Disclosure Schedule hereto, (i) no Hazardous Material (as defined below) has ever been or is threatened to be spilled, released, or disposed of at any site presently or formerly owned, operated, leased, or used by Bank or any of its Subsidiaries, or has ever come to be located in the soil or groundwater at any such site; (ii) no Hazardous Material has ever been transported from any site presently or formerly owned, operated, leased, or used by Bank or any of its Subsidiaries for treatment, storage, or disposal at any other place; (iii) neither Bank nor any of its Subsidiaries presently owns, operates, leases, or uses, or previously owned, operated, leased, or used any site on which underground storage tanks are or were located; and (iv) no lien has ever been imposed by any governmental agency on any property or facility owned, operated, leased, or used by Bank or any of its Subsidiaries in connection with the presence of any Hazardous Material.

(b) Except as set forth in Section 3.21 of the Disclosure Schedule hereto, (i) neither Bank nor any of its Subsidiaries has any liability under, nor has Bank or any of its Subsidiaries ever violated any Environmental Law (as defined below); (ii) Bank and each of its Subsidiaries, any property owned, operated, leased, or used by any of them, and any facilities and operations thereon are presently in compliance in all respects with all applicable Environmental Laws; (iii) neither Bank nor any of its Subsidiaries has ever entered into or been subject to any judgment, consent decree, compliance order, or administrative order with respect to any environmental or health and safety matter or received any request for information, notice, demand letter, administrative inquiry, or formal or informal complaint or claim with respect to any environmental or health and safety matter or the enforcement of any Environmental Law; and (iv) neither Bank nor any of its Subsidiaries has any reason to believe that any of the items enumerated in clause (iii) of this paragraph will be forthcoming.

(c) Except as set forth in Section 3.21 of the Disclosure Schedule hereto, no site owned, operated, leased, or used by Bank or any of its Subsidiaries contains any asbestos or asbestos-containing material, any polychlorinated biphenyls (PCBs) or equipment containing PCBs, or any urea formaldehyde foam insulation.

(d) Bank has provided to Parent copies of all documents, records, and information available to Bank concerning any environmental or health and safety matter relevant to Bank or any sites formerly or currently owned, operated, leased or used by Bank or any of its Subsidiaries, whether generated by Bank or any of its Subsidiaries, or others, including, without limitation, environmental audits, site assessments, documentation regarding off-site disposal of Hazardous Materials, and reports, correspondence, permits, licenses, approvals, consents, and other authorizations related to environmental or health and safety matters issued by any governmental agency. In addition, Bank has disclosed to Parent all sites formerly or currently owned, operated, leased or used by Bank or any of its Subsidiaries.

(e) For purposes of this Section 3.21, (i) "Hazardous Material" shall mean and include any hazardous waste, hazardous material, hazardous substance, petroleum product, oil, toxic substance, pollutant, or contaminant, as defined or regulated under any Environmental Law, or any other substance which may pose a threat to the environment or to human health or safety; (ii) "Environmental Law" shall mean any environmental or health and safety-related law, regulation, rule, ordinance, or by-law at the foreign, national, state, or local level, whether existing as of the date hereof, previously enforced, or subsequently enacted; and (iii) "Bank" shall mean and include Bank and its Subsidiaries, and all other entities for whose conduct Bank is or may be held responsible under any Environmental Law.

3.22 Properties.

(a) Section 3.22 of the Disclosure Schedule contains a true, complete and correct list and a brief description (including carrying value) of all real properties, including properties acquired by foreclosure or deed in lieu thereof, owned or leased to Bank. Except as set forth in Section 3.22 of the Disclosure Schedule, Bank has good and marketable title to all the

real property and all other property owned by it and included in the consolidated balance sheet of Bank for the period ended December 31, 1998, other than property disposed of in the ordinary course of business after December 31, 1998, and owns such property subject to no encumbrances, liens, mortgages, security interests or pledges, except such encumbrances, liens, mortgages, security interests and pledges that will not interfere with the use of the property as currently used or contemplated to be used by Bank, or the conduct of the business of Bank.

(b) Bank has not received any notice of violation of any applicable zoning or environmental regulation, ordinance or other law, order, regulation or requirement relating to its operations or its properties and to the knowledge of Bank, there is no such violation of a material nature. Except as set forth in Section 3.22 to the Disclosure Schedule, all buildings and structures used by Bank conform in all material respects with all applicable ordinances, codes and regulations, or are not required to conform due to grandfathering clauses contained in such ordinances, codes or regulations.

(c) Section 3.22 to the Disclosure Schedule contains a true, complete and correct list of all leases pursuant to which Bank leases any real or personal property, either as lessee or as lessor (the "Leases"). Each of the Leases is valid and binding on Bank and, to Bank's knowledge, valid and binding on and enforceable against all other respective parties to such leases in accordance with their respective terms (subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally and general principles of equity). There are not under such Leases any existing breaches, defaults, events of default by Bank, or events which with notice and/or lapse of time would constitute a breach, default or event of default by Bank, nor has Bank received notice of, or made a claim with respect to, any breach or default by any other party to such Leases. Bank enjoys quiet and peaceful possession of all such leased properties occupied by it as lessee.

(d) All of the real properties, leasehold improvements and items of equipment and other material personal property owned, leased, or licensed by Bank, or in which any of those parties hold an interest, are, in its best knowledge, in good maintenance, repair, and operating condition, ordinary wear and tear excepted, are adequate for the purposes for which they are now being or are anticipated to be used, and are free from any material defects.

3.23 Administration of Fiduciary Accounts. Bank and each of its Subsidiaries has properly administered all accounts for which it acts as a fiduciary, including but not limited to accounts for which it serves as a trustee, agent, custodian, personal representative, guardian, conservator or investment advisor, in accordance with the terms of the governing documents and applicable law, except where the failure to so administer, either individually or in the aggregate, would not have a Material Adverse Effect on Bank. The accountings for each such fiduciary account are true and correct in all material respects and accurately reflect the assets of such fiduciary account.

3.24 Insurance. All of the policies relating to insurance maintained by Bank or any of its Subsidiaries with respect to its property and the conduct of its business (or any comparable

policies entered into as a replacement therefor) are in full force and effect and neither Bank nor any of its Subsidiaries has received any notice of cancellation with respect thereto. Section 3.24 of the Disclosure Schedule contains a true, complete and correct list of all insurance policies and bonds maintained by Bank, including the name of the insurer, the policy number, the type of policy and any applicable deductibles. Bank has previously made available to Parent true, complete and correct copies of all such insurance policies and bonds, and all such policies and bonds are in full force and effect. Bank has been and is adequately insured with respect to its property and the conduct of its business in such amounts and against such risks as are substantially similar in kind and amount to that customarily carried by parties similarly situated who own properties and engage in businesses substantially similar to that of Bank (including without limitation liability insurance and blanket bond insurance). All premiums due on such policies and bonds have been paid and to Bank's knowledge, none of the parties is in violation of any provision of such policy or bond. All material claims under any policy or bond have been duly and timely filed. Except as set forth in Section 3.24 of the Disclosure Schedule hereto, none of the parties has received any notice of cancellation of any policy or bond maintained by it. All life insurance policies on the lives of any of the current and former officers of Bank which are maintained by Bank or which are otherwise included as assets on the books of Bank (i) are, or will at the Effective Time be, owned by Bank free and clear of any claims thereon by the officers or members of their families, except with respect to death benefits thereunder, as to which Bank agrees that there will not be an amendment prior to the Effective Time without the consent of Parent and (ii) are accounted for properly as assets on the books of Bank in accordance with GAAP in all material respects.

3.25 Transactions with Certain Persons. Bank has no outstanding loan, deposit or other relationship or other transaction with any officer, director or greater-than-5% stockholder of Bank or any affiliates (as defined in Rule 144(a)(1) of the Securities Act) of any such officer, director or stockholder (individually, an "Interested Person"), other than deposit or loan transactions in the ordinary course of business on terms substantially the same as those prevailing at the time for comparable transactions with other, unaffiliated persons, and which did not and do not involve any unusual risk (including of non-collectibility) or other features unfavorable to Bank. Section 3.24 of the Disclosure Schedule hereto contains a full description of all outstanding loans by Bank to an Interested Person which, either individually or in the aggregate, have current outstanding balances of \$10,000 or more (including in the outstanding balance all amounts which Bank is obligated to advance but not including loans secured by cash collateral). All deposit relationships of Bank with an Interested Person with aggregate balances in excess of \$50,000 are fully described in Section 3.25 of the Disclosure Schedule. Except as otherwise set forth in Section 3.25 of the Disclosure Schedule, Bank has not entered into any contractual or other business relationship with any Interested Person.

3.26 State Takeover Laws. The transactions contemplated by this Agreement are not subject to any applicable state takeover laws in effect on the date hereof.

3.27 Year 2000 Compliance. Bank and its Subsidiaries have taken all steps necessary to address the software, accounting and recordkeeping issues raised in order for the data

processing systems used in the businesses conducted by Bank and its Subsidiaries to be Year 2000 compliant on or before the end of 1999 and Bank does not expect the future cost of addressing such issues to be material. Neither Bank nor any Bank Subsidiary has received a rating of less than satisfactory from any bank regulatory agency with respect to Year 2000 compliance.

3.28 Disclosure. No representation or warranty contained in this Agreement, and no statement contained in any certificate, list or other writing furnished to Parent pursuant to the provisions hereof contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein or therein, in light of the circumstances in which they are made, not misleading. No information material to the Merger and which is necessary to make the representations and warranties herein contained not misleading has been withheld from, or has not been delivered in writing to, Parent.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF WTC AND PARENT

Each of WTC and Parent hereby represents and warrants to Bank as follows:

4.01 Corporate Organization.

(a) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Rhode Island. Parent has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified, either individually or in the aggregate, would not have a Material Adverse Effect.

(b) WTC is a trust company duly organized, validly existing and in good standing under the laws of the State of Rhode Island. The deposit accounts of WTC are insured by the FDIC through the BIF to the fullest extent permitted by law, and all premiums and assessments required in connection therewith have been paid by WTC. WTC has the corporate power and authority to own or lease all of its properties and assets and to carry on its business as it is now being conducted, and is duly licensed or qualified to do business in each jurisdiction in which the nature of the business conducted by it or the character or location of the properties and assets owned or leased by it makes such licensing or qualification necessary, except where the failure to be so licensed or qualified, either individually or in the aggregate, would not have a Material Adverse Effect.

4.02 Capitalization. The authorized capital stock of Parent consists of 30,000,000 shares of Parent Common Stock. As of the date of this Agreement, there are (i) 10,053,354 shares of Parent Common Stock issued and outstanding, (ii) no shares of Parent Common Stock held in

Parent's treasury and (ii) 2,551,626 shares of Parent Common Stock reserved for issuance upon exercise of outstanding stock options or otherwise. The shares of Parent Common Stock to be issued in exchange for shares of Bank Common Stock upon consummation of the Merger will have been duly authorized and when issued in accordance with the terms of this Agreement, will be validly issued and fully paid, nonassessable and free of preemptive rights, with no personal liability attaching to the ownership thereof and will be identical in all respects to the shares of Parent Common Stock to be issued and outstanding immediately prior to the Merger.

4.03 Authority; No Violation.

(a) Parent has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and the consummation by Parent of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of Parent. This Agreement has been duly and validly executed and delivered by Parent and constitutes a valid and binding obligation of Parent, enforceable against Parent in accordance with its terms.

(b) WTC has full power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by WTC and the consummation by WTC of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of WTC. The Board of Directors of WTC has directed that this Agreement and the transactions contemplated hereby be submitted to WTC's sole stockholder for approval by such stockholder and, except for the adoption of this Agreement by the requisite vote of WTC's stockholder, no other corporate proceedings on the part of WTC are necessary to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by WTC and constitutes a valid and binding obligation of WTC, enforceable against WTC in accordance with its terms.

(c) Neither the execution and delivery of this Agreement by each of Parent and WTC, nor the consummation by either Parent or WTC of the transactions contemplated hereby, nor compliance by either Parent or WTC with any of the terms or provisions hereof, will (i) violate, conflict with or result in a breach of any provision of the Articles of Incorporation or By-Laws of Parent or the Agreement to Form or by-laws or similar governing documents of WTC, as the case may be, or (ii) assuming that the consents and approvals referred to in Section 4.04 are duly obtained, (x) violate any statute, code, ordinance, rule, regulation, judgment, order, writ, decree or injunction applicable to Parent or WTC, or (y) violate, conflict with, result in a breach of any provisions of or the loss of any benefit under, constitute a default (or any event which, with notice or lapse of time, or both, would constitute a default) under, result in the termination of or a right of termination or cancellation under, accelerate the performance required by, or result in the creation of any lien, pledge, security interest, charge or other encumbrance upon any of the respective properties or assets of Parent or WTC under any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Parent or WTC is a party, or by which they or any of their respective properties or assets may be bound or affected, except (in the case of clause (y) above)

for such violations, conflicts, breaches or defaults which, either individually or in the aggregate, will not have a Material Adverse Effect.

4.04 Consents and Approvals. Except for (a) the filing of applications and notices, as applicable, with (i) the FDIC and (ii) the Director, and the consent to and approval of such applications and notices, (b) the filing with the SEC of the Registration Statement, (c) the approval of this Agreement by the requisite vote of the stockholders of Bank, Parent and WTC, (d) the filing of articles of merger with the Secretary to effect the Merger pursuant to the RIBCA, (e) such filings and approvals as are required to be made or obtained under the securities or "Blue Sky" laws of various states in connection with the issuance of shares of Parent Common Stock pursuant to this Agreement, and (f) such filings, authorizations or approvals as may be set forth in Section 4.04 of the Disclosure Schedule, no consents or approvals of or filings or registrations with any Governmental Entity or with any third party are necessary in connection with the execution and delivery by Parent and WTC of this Agreement and the consummation by Parent of the Merger and the other transactions contemplated hereby, except where the failure to obtain such consents or approvals, or to make such filings or registrations, would not prevent Parent from performing its obligations under this Agreement.

4.05 Financial Statements. Parent has previously made available to Bank copies of the consolidated balance sheets of Parent and its Subsidiaries as of December 31 for the fiscal years 1996 and 1997 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal years 1995 through 1997, inclusive, as reported in Parent's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 filed with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), in each case accompanied by the audit report of KPMG Peat Marwick LLP, independent public accountants with respect to Parent. The December 31, 1997 consolidated balance sheet of Parent (including the related notes, where applicable) fairly presents the consolidated financial position of Parent and its Subsidiaries as of the date thereof, and the other financial statements referred to in this Section 4.05 (including the related notes, where applicable) fairly present in all material respects (subject, in the case of the unaudited statements, to recurring audit adjustments normal in nature and amount), the results of the consolidated operations and changes in shareholders' equity and consolidated financial position of Parent and its Subsidiaries for the respective fiscal periods or as of the respective dates therein set forth; each of such statements (including the related notes, where applicable) has been prepared in accordance with GAAP consistently applied during the periods involved, except as indicated in the notes thereto. Parent has previously made available to Bank copies of the consolidated balance sheet of Parent and its Subsidiaries as of December 31, 1998 and the related consolidated statement of operations prepared by Parent, in each case unaudited and without footnotes, and such financial statements fairly present in all material respects the consolidated financial position of Parent and its Subsidiaries as of December 31, 1998 and the results of consolidated operations for the year then ended.

4.06 No Material Adverse Effect. Since December 31, 1998, there has not been any Material Adverse Effect on Parent or WTC.

4.07 Undisclosed Liabilities. Except for liabilities incurred in the ordinary course of business consistent with past practices since December 31, 1998 and as required by GAAP, Parent has no liabilities or obligations of any nature whatsoever (whether absolute, accrued, contingent or otherwise) which are not adequately reserved or reflected on the consolidated balance sheet of Parent for the period ending December 31, 1998, except for liabilities or obligations which in the aggregate do not exceed \$50,000, and there do not exist any circumstances that, to the best knowledge of Parent, could reasonably be expected to result in any such liabilities or obligations.

4.08 SEC Reports. Parent has previously made available to Bank an accurate and complete copy of each final registration statement, prospectus, report, schedule and definitive proxy statement filed since January 1, 1996 by Parent with the SEC (collectively, the "Parent Reports") and no such Parent Reports or communications contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they were made, not misleading. Parent has timely filed all material Parent Reports and other documents required to be filed with the SEC, and as of their respective dates, all Parent Reports complied in all material respects with the rules and regulations of the SEC with respect thereto.

4.09 Broker's Fees. Neither Parent nor any of Parent's Subsidiaries, nor any of their respective officers or directors, has employed any broker or finder or incurred any liability for any broker's fee, commission or finder's fee in connection with any of the transactions contemplated by this Agreement other than fees paid to Keefe Bruyette & Woods.

4.10 No Current Discussions. Neither Parent nor WTC is currently in discussions with another party that could result in a Change in Control.

4.11 Parent and WTC Information. The information supplied by Parent and WTC relating to Parent and WTC contained in the Prospectus including the Proxy Statement to be sent to the stockholders of Bank in connection with the Stockholder Meeting, or in any other document filed with any other Regulatory Agency in connection herewith, will not contain, on the date of mailing of the Prospectus and on the date of the Stockholder Meeting, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not false or misleading.

ARTICLE V

COVENANTS RELATING TO CONDUCT OF BUSINESS

5.01 Covenants of Bank. During the period from the date of this Agreement and continuing until the Effective Time, except as expressly contemplated or permitted by this Agreement or by the Stock Option Agreement, or with the prior written consent of Parent, Bank and its Subsidiaries shall carry on their respective businesses in the usual, regular and ordinary

course in substantially the same manner as heretofore conducted and consistent with prudent banking practice and without limiting the foregoing, to continue to operate in the same geographic markets serving the same market segments and without significant increase in the rate of growth of Bank's loan portfolio. Bank will use all commercially reasonable efforts to (x) preserve its business organization and that of its Subsidiaries intact, (y) keep available to itself and WTC the present services of the employees of Bank and its Subsidiaries and (z) preserve for itself and WTC the goodwill of the customers of Bank and its Subsidiaries and others with whom business relationships exist. Without limiting the generality of the foregoing, and except as set forth on Section 5.01 of the Disclosure Schedule or as otherwise contemplated by this Agreement or consented to in writing (which consent shall not be unreasonably withheld) by Parent, Bank shall not, and shall not permit any of its Subsidiaries to:

(a) declare or pay any dividends on, or make other distributions in respect of, any of its capital stock;

(b) (i) split, combine or reclassify any shares of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock except upon the exercise or fulfillment of rights or options issued or existing pursuant to employee benefit plans, programs or arrangements, all to the extent outstanding and in existence on the date of this Agreement and set forth in Section 5.01 of the Disclosure Schedule, or (ii) repurchase, redeem or otherwise acquire (except for the acquisition of Trust Account Shares and DPC Shares, as such terms are defined in Section 1.05(b) hereof) any shares of the capital stock of Bank or any of its Subsidiaries, or any securities convertible into or exercisable for any shares of the capital stock of Bank or any of its Subsidiaries;

(c) issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, any such shares, or enter into any agreement with respect to any of the foregoing;

(d) amend its Agreement to Form, By-laws or other similar governing documents;

(e) authorize any single capital expenditure which is in excess of \$10,000 or capital expenditures which are, in the aggregate, in excess of \$50,000 for Bank and its Subsidiaries taken as a whole, except for contractual commitments entered into prior to the date of this Agreement as heretofore disclosed in Section 5.01(e) of the Disclosure Schedule;

(f) enter into any new line of business;

(g) acquire or agree to acquire, by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by

any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets which would be material, either individually or in the aggregate, to Bank;

(h) change its methods, policies or procedures of accounting in effect at December 31, 1998, except as required by changes in GAAP or regulatory accounting principles as concurred to by Bank's independent auditors;

(i) make any tax election or settle or compromise any material Federal, state, local or foreign tax liability;

(j) pay, discharge or satisfy any claim, liability or obligation, other than the payment, discharge or satisfaction, in the ordinary course of business and consistent with past practice, of liabilities reflected or reserved against in the balance sheet for the fiscal year ended December 31, 1998, or subsequently incurred in the ordinary course of business and consistent with past practice;

(k) (i) except as required by applicable law, (x) adopt, amend, renew or terminate any plan or any agreement, arrangement, plan or policy between Bank or any Bank Subsidiary and one or more of its current or former directors, officers or employees, or (y) increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan or agreement as in effect as of the date hereof (including, without limitation, the granting of stock options, stock appreciation rights, restricted stock, restricted stock units or performance units or shares), provided, however, that Bank may, in consultation with Parent, grant salary increases to its employees (who are not officers at the level of senior vice president or above or directors or not bound by an employment agreement with Bank) at the regular review date of such employees in an aggregate amount for all employees not to exceed four percent of the aggregate current annualized base salaries or wages of such employees, (ii) hire any new employees without the prior written consent of Parent, unless such new employee is hired to replace an employee whose employment with the Bank has terminated and such new employee is hired at the same or lower level of compensation as the departed employee or (iii) enter into, modify or renew any employment, severance or other agreement with any director, officer or employee of Bank or any of its Subsidiaries, or establish, adopt, enter into or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement providing for any benefit to any director, officer or employee;

(l) except in the ordinary course of its business consistent with past practice and for leases at 885 Boston Neck Road, Narragansett, Rhode Island, sell, lease, encumber, assign or otherwise dispose of, or agree to sell, lease, encumber, assign or otherwise dispose of, any of its material assets, properties or other rights or agreements or purchase or sell any loans in bulk;

(m) except in the ordinary course of business and for borrowings from the Federal Home Loan Bank Board, incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible for the obligations of any other individual, corporation or other entity, or make any loan or advance;

(n) file any application to open, relocate or terminate the operations of any banking offices of it or of any of its Subsidiaries;

(o) commit any act or omission which constitutes a material breach or default by Bank or any of its Subsidiaries under any Regulatory Agreement or under any material contract or material license to which Bank or any of its Subsidiaries is a party or by which any of them or their respective properties is bound;

(p) make any equity investment or commitment to make such an investment in real estate or in any real estate development project, other than in connection with foreclosures, settlements in lieu of foreclosure or troubled loan or debt restructurings in the ordinary course of business consistent with past practice;

(q) sell any securities in its investment portfolio, except in the ordinary course of business, or engage in transactions in or involving forwards, futures, options on futures, swaps or similar derivative instruments;

(r) except as required by law or regulation, change its loan policies or procedures in effect at September 30, 1998;

(s) foreclose upon or take a deed or title to any commercial real estate without first conducting a Phase I environmental assessment of the property or foreclose upon any commercial real estate if such environmental assessment indicates the presence of a Hazardous Material in amounts which, if such foreclosure were to occur, would result in a Material Adverse Effect on Bank;

(t) enter into or renew, amend or terminate, or give notice of a proposed renewal, amendment or termination of make any commitment with respect to, (i) any contract, agreement or lease for office space, operations space or branch space to which Bank or any of its Subsidiaries is a party or by which Bank or any of its Subsidiaries or their respective properties is bound; (ii) any lease, contract or agreement other than in the ordinary course of business consistent with past practices; or (iii) unless otherwise permitted under this Section 5.01 and other than mortgages or loans, and sales thereof, in the ordinary course of business, any lease, contract, agreement or commitment involving an aggregate payment by or to Bank or any of its Subsidiaries of more than \$75,000 or having a term of one year or more from the time of execution;

(u) make any loan other than in accordance with Bank's loan and credit policies and Bank's customary terms, conditions and standards, and in accordance with applicable law and consistent with prudent banking practices;

(v) waive any material right, whether in equity or at law, that it has with respect to any loan, except in the ordinary course of business consistent with prudent banking practices; or

(w) agree to do any of the foregoing.

5.02 No Solicitation. Neither Bank nor any of its Subsidiaries nor any of their respective directors, officers, employees, representatives, agents, and advisors (including, without limitation, investment bankers, attorneys and accountants) or other persons controlled by Bank shall directly or indirectly solicit, initiate or encourage any inquiries relating to, or the making of any proposal which constitutes a Takeover Proposal (as defined below); or except to the extent determined by the Bank's Board of Directors, with the advice of its outside counsel, to be required by fiduciary obligations under applicable law, participate in any discussions or negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, or facilitate, any effort or attempt by any other person to do or seek any of the foregoing; or otherwise facilitate any effort or attempt to make or implement a Takeover Proposal. Bank will immediately cease and cause to be terminated any existing activities, discussions or negotiations previously conducted with any parties other than Parent or WTC with respect to any of the foregoing. Nothing contained in this Section 5.02 shall be deemed to prohibit Bank from (i) taking or disclosing to stockholders any position necessary in order to comply with the filing and disclosure requirements of Section 14(d)(9) of the Exchange Act and the related rules and regulations of the SEC or, (ii) making any disclosure to the stockholders of Bank which, the Board of Directors of Bank, after consultation with and based upon the written advice of such Board's counsel, determines in good faith is required for the Board of Directors to comply with its fiduciary duties to its stockholders under applicable law. Bank will take all actions necessary or advisable to inform the appropriate individuals or entities referred to in the first sentence of the obligations undertaken in this Section 5.02. Bank will notify Parent and WTC immediately if any such inquiries or Takeover Proposals are received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with Bank, and Bank will promptly inform Parent and WTC in writing of all of the relevant details with respect to the foregoing. As used in this Agreement, "Takeover Proposal" shall mean any tender or exchange offer, proposal for a merger, consolidation or other business combination involving Bank or any of its Subsidiaries or any proposal or offer to acquire in any manner a substantial equity interest in, or a substantial portion of the assets of, Bank or any of its Subsidiaries other than the transactions contemplated or permitted by this Agreement. Bank agrees not to release any third party from, or waive any provision of, any confidentiality or standstill agreement to which Bank is a party.

5.03 Products and Services. From and after the date hereof, Bank shall, to the fullest extent possible, take all steps reasonably necessary to offer to its customers such of WTC's

products as Parent requests, upon such terms and conditions as are mutually acceptable to Parent and Bank, and Parent and Bank shall consult with each other on such other products and services not currently offered by Bank that Parent would expect to make available to customers of the Surviving Bank prior to the Closing Date, on terms and conditions mutually acceptable to Parent and Bank, provided, however, that nothing in this Section 5.03 shall obligate Bank to make such products available.

5.04 System Conversions. From and after the date hereof, Parent and Bank shall meet on a regular basis to discuss and plan for the conversion of Bank's data processing and related electronic informational systems to those used by Parent and its Subsidiaries which planning shall include, but not be limited to, discussion of the possible termination by Bank of third-party service provider arrangements effective at the Effective Time or at a date thereafter, non-renewal of personal property leases and software licenses used by Bank in connection with its systems operations and outsourcing, as appropriate of proprietary or self-provided system services, it being understood that Bank shall not be obligated to take any such action and, unless Bank otherwise agrees, no conversion shall in fact take place prior to the Effective Time. In the event that Bank determines to take, and so takes, any action relative to third parties to facilitate the conversion that results in the imposition of any termination fees or charges, Parent shall indemnify Bank on terms reasonably satisfactory to Bank for any such fees and expenses, and the costs of reversing the conversion process, if for any reason the Effective Time does not occur in accordance with the terms of this Agreement.

5.05 Certain Changes and Adjustments. Prior to the Closing, Parent and Bank shall consult and cooperate with each other concerning Bank's loan, litigation and real estate valuation policies and practices (including loan classifications and levels of reserves) to reflect Parent's plans with respect to the conduct of the Surviving Bank's business and the then anticipated post-closing disposition of certain assets of the Surviving Bank following the Merger; provided, however, that Bank shall not be obligated to take any action pursuant to this Section 5.05 which is inconsistent with GAAP and unless and until Parent acknowledges, and Bank is satisfied, that all conditions to consummate the Merger have been satisfied. No action taken by Bank pursuant to this Section 5.05 or the consequences resulting therefrom shall be deemed to be a breach of any representation, warranty, agreement or covenant herein or constitute a Material Adverse Effect.

5.06 ALCO Management. Bank agrees that during the period from the date of this Agreement through the Effective Time, Bank will consult and cooperate with Parent in the development and implementation of a program to manage, and reduce the negative impact of a change in interest rates on, Bank's interest sensitive assets and liabilities (including its fixed-rate mortgage portfolio and its investment portfolio), which program will include a policy not to acquire securities for the investment portfolio of Bank if such securities have a maturity date that is more than two years after the date of acquisition thereof. Bank and Parent agree to consult on investment programs to be administered by Bank.

5.07 Covenants of Parent and WTC. During the period from the date of this Agreement and continuing until the Effective Time, except as expressly contemplated or permitted

by this Agreement or with the prior written consent of Bank, neither Parent nor WTC shall, nor shall they permit any of their respective Subsidiaries to, take any action that is intended or which reasonably can be expected to result in any of its representations and warranties set forth in this Agreement being untrue in any material respect, or in any of the conditions to the Merger or other transactions contemplated in this Agreement as set forth in Article VII not being satisfied in any material respect, or in a material violation of any provision of this Agreement, except, in every case, as may be required by applicable law. During the period from the date of this Agreement and continuing until the Effective Time, the Parent shall provide Bank with a copy of all Parent Reports.

ARTICLE VI

ADDITIONAL AGREEMENTS

6.01 Regulatory Matters.

(a) The parties hereto shall cooperate with each other and use their best efforts to promptly prepare and file all necessary documentation, to effect all applications, notices, petitions and filings, and to obtain as promptly as practicable all permits, consents, approvals and authorizations of all third parties, Regulatory Agencies and Governmental Entities which are necessary or advisable to consummate the transactions contemplated by this Agreement (including without limitation the Merger). Bank, Parent and WTC shall have the right to review in advance, and to the extent practicable each will consult with the other on, in each case subject to applicable laws relating to the exchange of information, all the information relating to Parent, WTC or Bank, as the case may be, and any of their respective Subsidiaries, which appear in any filing made with or written materials submitted to, any third party or any Governmental Entity in connection with the transactions contemplated by this Agreement. In exercising the foregoing right, each of the parties hereto shall act reasonably and as promptly as practicable. The parties hereto agree that they will consult with each other with respect to the obtaining of all permits, consents, approvals and authorizations of all third parties and Governmental Entities necessary or advisable to consummate the transactions contemplated by this Agreement and each party will keep the other apprised of the status of matters relating to the completion of the transactions contemplated hereby.

(b) Bank, Parent and WTC shall, upon request, furnish each other with all information concerning themselves, their Subsidiaries, directors, officers and stockholders and such other matters as may be reasonably necessary or advisable in connection with any statement, filing, notice or application made by or on behalf of Bank, Parent, WTC or any of their respective Subsidiaries to any Governmental Entity in connection with the Merger and the other transactions contemplated by this Agreement.

(c) Bank, Parent and WTC shall promptly furnish each other with copies of written communications received by Bank, Parent or WTC, as the case may be, or any of their respective Subsidiaries, Affiliates or Associates (as such terms are defined in Rule 12b-2 under

the Exchange Act as in effect on the date of this Agreement) from, or delivered by any of the foregoing to, any Governmental Entity in respect of the transactions contemplated hereby.

(d) Bank, Parent and WTC shall negotiate in good faith for a period not to exceed thirty (30) days an alternative transaction structure if, after pursuing in good faith all necessary regulatory approvals, the parties determine in good faith that the required regulatory approvals will not be obtained to complete the Merger. If an agreement on an alternative transaction structure cannot be reached after thirty (30) days of good faith negotiations, this Section 6.01(d) shall expire. In no event shall the parties have any obligation under this Section 6.01(d) to negotiate after November 30, 1999.

6.02 Securities Laws Matters.

(a) As soon as practicable after the date hereof, Parent and Bank shall file the Registration Statement, in which the Prospectus and the Proxy Statement will be included, with the SEC under the Exchange Act. Parent and Bank shall use their best efforts to have the Registration Statement declared effective by the SEC as promptly as practicable after such filing.

(b) Parent, WTC and Bank shall cooperate with each other in the preparation of the Registration Statement, and each shall notify the other of the receipt of any comments of the SEC with respect to the Registration Statement and of any requests by the SEC for any amendment or supplement thereto or for additional information and shall provide to the other parties promptly copies of all correspondence between the party or any representative or agent of the party and the SEC. Each party shall review the Registration Statement prior to its being filed with the SEC and shall review all amendments and supplements to the Registration Statement and all responses to requests for additional information and replies to comments prior to their being filed with, or sent to, the SEC. Bank agrees to use its best efforts, after consultation with Parent and/or WTC, to respond promptly to all such comments of and requests by the SEC.

(c) Parent will advise Bank, promptly after Parent receives notice thereof, of the time when the Prospectus has been cleared for usage or any supplement or amendment has been filed or the suspension of the qualification of the Parent Common Stock for offering or sale in any jurisdiction, or the initiation or threat or any proceeding for any such purpose.

(d) Parent shall use its best efforts to obtain, prior to the date the Prospectus is cleared for usage, all necessary state securities laws or "blue sky" permits and approvals required in connection with the issuance of Parent Common Stock in the Merger.

(e) Parent and Bank further agree to cause the Prospectus and all required amendments and supplements thereto to be mailed to their respective stockholders entitled to vote at the Stockholder Meeting at the earliest practicable time.

6.03 Stockholder Meeting. In order to consummate the Merger, Bank shall take all steps necessary to duly call, give notice of, convene and hold its Stockholder Meeting as soon as

practicable for the purpose of voting upon the approval of this Agreement and the transactions contemplated hereby. Bank shall, through its Board of Directors, recommend to its stockholders approval of this Agreement and the transactions contemplated hereby unless its Board of Directors, after consulting with and considering the written advice of outside counsel, determines that it is required to act otherwise in discharging its fiduciary duties under applicable law. After making such recommendation to its stockholders, the Board of Directors shall not withdraw, modify or amend such recommendation in any respect materially adverse to Parent or WTC unless its Board of Directors, after consulting with and considering the written advice of outside counsel, determines that it is required to act otherwise in discharging its fiduciary duties under applicable law. Bank, Parent and WTC shall coordinate and cooperate with respect to the foregoing matters.

6.04 Access to Information.

(a) Upon reasonable notice and subject to applicable laws relating to the exchange of information, Parent and WTC shall afford Bank, and its officers, employees, counsel, accountants and other authorized representatives, access, during normal business hours to such information regarding Parent and WTC and their respective Subsidiaries as shall be reasonable necessary for Bank to fulfill its obligations pursuant to this Agreement to prepare the Proxy Statement. Parent and WTC shall furnish promptly to Bank a copy of each application, report, schedule, correspondence and other document filed by Parent or WTC with, or received Parent or by WTC from, any government entity in connection with the transactions contemplated hereunder, and Parent and WTC each agrees to notify Bank by telephone within 24 hours of receipt of any adverse oral communication from any government entity regarding the outcome of any regulatory applications required in connection with the Merger.

(b) Upon reasonable notice and subject to applicable laws relating to the exchange of information, Bank shall, and shall cause each of its Subsidiaries to, afford to the officers, employees, accountants, counsel and other representatives of Parent, access, during normal business hours during the period prior to the Effective Time, to all its properties, books, contracts, commitments and records and, during such period, Bank shall, and shall cause its Subsidiaries to, make available to Parent (i) a copy of each report, schedule, registration statement and other document filed or received by it (or any of its Subsidiaries), during such period pursuant to the requirements of Federal securities laws or Federal or state banking laws (other than reports or documents which Bank is not permitted to disclose under applicable law), (ii) copies of all periodic reports to senior management, including without limitation, reports on non-performing loans and other asset quality matters and all materials furnished to the Board of Directors of Bank relating to asset quality generally, and (iii) all other information concerning its business, properties, assets and personnel as Parent may reasonably request.

(c) No party shall be required to provide access to or to disclose information where such access or disclosure would jeopardize the attorney-client privilege of the institution in possession or control of such information or contravene any law, rule, regulation, order, judgment, decree, fiduciary duty or binding agreement entered into prior to the date of this

Agreement. The parties hereto will make appropriate substitute disclosure arrangements under circumstances in which the restrictions of the preceding sentence apply.

(d) All information (the "Confidential Information") furnished by one party (the "Providing Party") to the other party (the "Receiving Party") or its directors, officers, employees, agents, and advisors (the "Representatives") shall be treated as the sole property of the Providing Party and, if this Agreement terminates, the Receiving Party shall return to the Providing Party or destroy all such written Confidential Information. The Receiving Party shall, and shall use reasonable efforts to cause its Representatives to, keep confidential all such Confidential Information, and shall not directly or indirectly use such information for any competitive or commercial purpose. Confidential Information shall not include information which (i) was already in the possession of the Receiving Party prior to receipt from the Providing Party, provided that such information is not known by the Receiving Party or its Representatives to be subject to another confidentiality agreement with or other obligation of secrecy to the Providing Party; (ii) becomes generally available to the public other than as a result of a disclosure by the Receiving Party; (iii) becomes available to the Receiving Party on a non-confidential basis from a source other than the Providing Party or its Representatives, provided that such source is not known by the Receiving Party to be bound by a confidentiality agreement with or other obligation of secrecy to the Providing Party; (iv) has been approved for release by written authorization of the Providing Party; or (v) has been publicly disclosed pursuant to a requirement of a government agency or of law.

(e) No investigation by either of the parties or their respective representatives shall affect the representations and warranties of the other set forth herein.

6.05 Best Efforts and Cooperation. Each of Parent, WTC and Bank shall, and shall cause its Subsidiaries to, use all reasonable efforts (a) to take, or cause to be taken, all actions necessary, proper or advisable to comply promptly with all legal requirements which may be imposed on such party or its Subsidiaries with respect to the Merger and, subject to the conditions set forth in Article VII hereof, to consummate the transactions contemplated by this Agreement and (b) to obtain (and to cooperate with the other party to obtain) any consent, authorization, order or approval of, or any exemption by, any Governmental Entity and any other third party which is required to be obtained by Parent, WTC or Bank or any of their respective Subsidiaries in connection with the Merger and the other transactions contemplated by this Agreement; provided, however, that neither Parent nor WTC shall be obligated to take any action pursuant to the foregoing if the taking of such action or such compliance or the obtaining of such consent, authorization, order, approval or exemption is likely, in the reasonable opinion of the respective Board of Directors, to result in the imposition of a Burdensome Condition (as hereinafter defined) on the Surviving Bank or any of its Subsidiaries.

6.06 NASDAQ Listing. Parent shall use its reasonable best efforts to cause the shares of Parent Common Stock to be issued in the Merger to be approved for listing on the NASDAQ National Market System subject to official notice of issuance, prior to the Effective Time.

6.07 Indemnification; Directors' and Officers' Insurance.

(a) Parent shall maintain in effect for three years from the Effective Time, if available in the marketplace, the current directors' and officers' liability insurance policy maintained by Bank (provided that Parent may substitute therefor policies of at least the same coverage containing terms and conditions which are not materially less favorable) with respect to matters occurring prior to the Effective Time; provided, however, that in no event shall Parent be required to expend pursuant to this Section 6.07 more than the amount equal to 150% of the current annual amount expended by Bank to maintain or procure insurance coverage pursuant hereto. In connection with the foregoing, Bank agrees to provide such insurer or substitute insurer with such representations as such insurer may request with respect to the reporting of any prior claims.

(b) For a period of three years from the Effective Time, WTC and Parent shall jointly and severally indemnify the directors and officers of the Bank to the same extent that such persons are entitled to indemnification by the Bank, as of the date of this Agreement. The indemnification by WTC provided for hereunder shall not be amended, repealed or otherwise modified for a period of three years from the Effective Time in any manner that would affect adversely the rights thereunder of individuals who were directors or officers of the Bank as of the date of this Agreement, unless such modification shall be required by law. In the event that any claim is asserted or made by such director or officer within such three year period, the right to indemnification in respect of such claim shall continue until the disposition of such claim. The provisions of this Section 6.07(b) are specifically for the benefit of those directors and officers entitled to indemnification by the Bank as of the date of this Agreement.

6.08 Financial and Other Statements. Notwithstanding anything to the contrary in Section 6.04, during the term of this Agreement, Bank shall provide to Parent the following documents and information:

(a) As soon as reasonably available, but in no event more than 35 days after the end of each fiscal quarter ending after the date of this Agreement, Bank will deliver to Parent its Quarterly Call Report as filed with the FDIC. As soon as reasonably available, but in no event more than 90 days after the end of each fiscal year ending after the date of this Agreement, Bank will deliver to Parent its Annual Call Report as filed with the FDIC. Bank will also deliver to Parent, contemporaneously with its being filed with the FDIC, a copy of all Current Call Reports.

(b) Promptly upon receipt thereof, Bank will furnish to Parent copies of all internal control reports submitted to Bank or the Subsidiaries by independent accountants in connection with each annual, interim or special audit of the books of Bank or the Subsidiaries made by such accountants.

(c) As soon as practicable, Bank will furnish to Parent copies of all such financial statements and reports as it or any Subsidiary shall send to its stockholders, the

FDIC or any other regulatory authority, to the extent any such reports furnished to any such regulatory authority are not confidential and except as legally prohibited thereby.

(d) Promptly upon receipt thereof Bank will furnish to Parent copies of each examination report of any federal or state regulatory or examination authority with respect to the condition or activities of Bank or any of the Subsidiaries, except to the extent prohibited by law. With respect to any examination report the disclosure of which is prohibited by law, Bank will use its reasonable efforts to obtain authority to deliver to Parent copies of such examination report or provide appropriate substitute disclosure arrangements.

(e) With reasonable promptness, Bank will furnish to Parent such additional financial data as Parent may reasonably request.

6.09 Additional Agreements. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, or to vest the Surviving Bank with full title to all properties, assets, rights, approvals, immunities and franchises of any of the parties to the Merger, the proper officers and directors of each party to this Agreement and their respective Subsidiaries shall take all such necessary action as may be requested by Parent or WTC.

6.10 Notice of Adverse Changes.

(a) Each party shall promptly notify the other party in writing, and keep the other party fully informed, of (i) any inability or perceived inability by the notifying party to perform or comply with the terms or conditions of this Agreement, or (ii) any change or event having a Material Adverse Effect on it or which it believes would or would be reasonably likely to cause or constitute a material breach of any of its representations, warranties or covenants contained herein, or in any of the conditions to the Merger set forth in Article VII not being satisfied, or in a violation of any provision of this Agreement.

(b) From time to time prior to the Effective Time, each party will promptly supplement or amend the Disclosure Schedule delivered in connection with the execution of this Agreement to reflect any matter which, if existing, occurring or known at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or which is necessary to correct any information in such Disclosure Schedule which has been rendered inaccurate thereby. No supplement or amendment to such Disclosure Schedule shall have any effect for the purposes of determining satisfaction of the conditions set forth in Sections 7.02(a) or 7.03(a) hereof, as the case may be, or the compliance by Parent or Bank, as the case may be, with the respective covenants set forth in Sections 5.01 through 5.07 hereof.

6.11 Current Information.

(a) During the period from the date of this Agreement to the Effective Time, Bank will cause one or more of its designated representatives (i) to confer on a regular and frequent basis (not less than monthly) with representatives of Parent to report on (x) the general status of the ongoing operations of Bank and its Subsidiaries, (y) the status of, and the action proposed to be taken with respect to, those Loans held by Bank or any Bank Subsidiary which, either individually or in combination with one or more other Loans to the same borrower thereunder, have an original principal amount of \$100,000 or more and are non-performing assets, (z) the status of, and the action proposed to be taken with respect to, foreclosed property and other real estate owned, and (ii) to cooperate and communicate fully with respect to the manner in which the business of WTC and Bank will be combined after the Effective Time, the type and mix of products and services, personnel matters, branch alignment, the granting of credit, and problem loan management, reserve adequacy and accounting. During the period from the date of this Agreement to the Effective Time, Parent will cause one or more of its designated representatives to confer on a regular and frequent basis (not less than monthly) with representatives of Bank and to report on the status of efforts to secure the regulatory approvals required under this Agreement, as well as the general status of the on going operations of Parent and WTC. In order to facilitate the foregoing, Parent and Bank shall promptly establish a liaison committee which will be chaired by the Presidents of Parent and Bank and which will meet on a regular basis to discuss these matters and may establish sub-committees from time-to-time to pursue various issues.

(b) Bank will promptly notify Parent of any material change in the normal course of business or in the operation of the properties of Bank or any of its Subsidiaries and of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of significant litigation involving Bank or any of its Subsidiaries, and will keep Parent reasonably informed of such events. Parent and WTC will promptly notify Bank of any material change in the normal course of business or in the operation of the properties of Parent and WTC or any of its Subsidiaries and of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of significant litigation involving Parent or any of its Subsidiaries, and will keep Bank fully informed of such events.

6.12 Compensation and Benefit Plans.

(a) **Provision of Benefits.** As soon as practicable after the Effective Time and subject to applicable law, WTC shall provide the employees of the Bank ("**Bank Employees**") with the same health, dental, pension, life insurance, disability, 401(k) plan and other benefits, if any, which WTC then provides generally to its own employees. All prior service of such employees with the Bank shall be recognized under such plans for purposes of vacation time, personal days and sick days and for purposes of eligibility and vesting, and all prior service of such employees with the Bank shall not be recognized under any such defined benefit plans for purposes of determining benefits. WTC shall not treat any Bank Employee as a "new" employee for purposes of any exclusion under any health plan or dental plan of WTC or any of its affiliates for a

preexisting medical condition. Nothing herein is intended or should be construed to provide a commitment for continued employment or to confer any rights on any officer or employee of the Bank except as herein expressly provided.

(b) **Severance Obligations and Funds to Return Employees.** The severance obligations of Parent and WTC to the employees of Bank following the Effective Time shall be as set forth on Schedule 6.12(b). Subject to the consent of Parent and WTC, which cannot be unreasonably withheld, Bank may use the amount of money specified on Schedule 6.12(b) to help retain certain employees.

6.13 Affiliate Agreements.

(a) Upon execution of this Agreement, each person who may be deemed to be an "affiliate" of Parent or Bank (each, an "Affiliate"), as that term is used in SEC Accounting Series Releases 130 and 135 and, in the case of Bank only, in Rule 145 under the Securities Act, has executed and delivered to the other party an agreement to comply with SEC Accounting Releases 130 and 135 and, in the case of Bank only, with Rule 145 under the Securities Act, in the forms attached hereto as Exhibit A-1 ("Parent Affiliates Agreement") and A-2 ("Bank Affiliates Agreement"), respectively.

(b) Each party shall use its reasonable best efforts to cause each person who may be deemed to be an Affiliate of it as of the date of the Stockholder Meeting to execute and deliver to the other party on or before the date of mailing of the Registration Statement an agreement to comply with SEC Accounting Releases 130 and 135 and, in the case of Bank only, with Rule 145 under the Securities Act, in the forms of the Parent Affiliates Agreement or the Bank Affiliates Agreement, as applicable.

(c) As promptly as reasonably practicable after the Closing Date, Parent will publish results including at least thirty (30) days of combined operations of Parent and Bank as contemplated by and in accordance with SEC Accounting Release No. 135.

6.14 No Inconsistent Actions. Prior to the Effective Time, no party will: (i) enter into any transaction or make any agreement or commitment and will use reasonable efforts not to permit any event to occur, which could reasonably be anticipated to result in (x) a denial of the regulatory approvals referred to in Sections 3.04 and 4.04 or (y) the imposition of any condition or requirement that would materially adversely affect the economic or business benefits to Parent of the transactions contemplated by this Agreement; or (ii) adopt by plan or arrangement, or take or cause to be taken any action, that would adversely affect holders of Bank Common Stock in a disproportionate manner after the Effective Time. Without limiting the scope of the immediately preceding sentence, no party shall, and shall not permit any of its Subsidiaries to take or cause to be taken any action, either before or after the Effective Time, that would disqualify the Merger as a "reorganization" within the meaning of Section 368(a) of the Code.

ARTICLE VII

CONDITIONS PRECEDENT

7.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following conditions:

(a) **Stockholder Approval.** This Agreement and the transactions contemplated hereby shall have been approved and adopted by the affirmative vote of the stockholders of Bank to the extent required by Rhode Island law and the Agreement to Form of Bank.

(b) **Regulatory Approvals.** All necessary approvals, authorizations and consents of all Governmental Entities required to consummate the transactions contemplated hereby (including the Merger) shall have been obtained and shall remain in full force and effect and all statutory waiting periods in respect thereof shall have expired or been terminated (all such approvals and the expiration of all such waiting periods being referred to herein as the "Requisite Regulatory Approvals").

(c) **NASDAQ Listing.** The shares of Parent Common Stock which shall be issued upon consummation of the Merger shall have been authorized for listing on the National Market System, subject to official notice of issuance.

(d) **Securities Laws Matters.** The Registration Statement shall have been declared effective by the SEC; and Parent shall have received all necessary state securities laws and "blue sky" permits and other authorizations required in connection with the issuance of Parent Common Stock in the Merger.

(e) **No Injunctions or Restraints; Illegality.** No order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition (an "Injunction") preventing the consummation of the Merger, or any of the other transactions contemplated by this Agreement shall be in effect and no proceeding initiated by any Governmental Entity seeking an injunction shall be pending. No statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by any Governmental Entity which prohibits, restricts or makes illegal consummation of the Merger, or any of the other transactions contemplated by this Agreement.

(f) **Tax Opinion Relating to the Merger.** Parent and WTC shall have received an opinion from Goodwin, Procter & Hoar LLP, and Bank and its shareholders shall have received an opinion from Adler, Pollock & Sheehan P.C., dated in each case as of the Closing Date, substantially to the effect that, on the basis of the facts, representations and assumptions set forth in such opinions which are consistent with the state of facts existing at the Closing Date, the Merger will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

In rendering such opinions, such counsel may require and rely upon, and each of the parties hereto shall furnish to counsel for both parties hereto, customary representations and covenants, reasonably satisfactory in form and substance to such counsel.

7.02 Conditions to Obligations of WTC and Parent. The obligation of WTC and Parent to effect the Merger is also subject to the satisfaction or waiver by WTC and Parent at or prior to the Effective Time of the following conditions:

(a) **Representations and Warranties.** The representations and warranties of Bank set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and (except to the extent such representations and warranties expressly speak as of an earlier specified date) as of the Closing Date as though made on and as of the Closing Date; provided, however, that for purposes of determining satisfaction of this condition no effect shall be given to any exception in such representations and warranties relating to materiality or a Material Adverse Effect, and Parent shall have received a certificate signed on behalf of Bank by its Chief Executive Officer and Chief Financial Officer to the foregoing effect.

(b) **Performance of Obligations of Bank.** Bank shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date, and Parent shall have received a certificate signed on behalf of Bank by its Chief Executive Officer and Chief Financial Officer to such effect.

(c) **No Burdensome Condition.** None of the Requisite Regulatory Approvals shall impose any term, condition or restriction upon Parent, WTC, the Surviving Bank or any of their respective Subsidiaries that Parent reasonably determines would so materially adversely effect the economic or business benefits to Parent of the transactions contemplated by this Agreement, taken as a whole, as to render inadvisable the consummation of the Merger (a "Burdensome Condition").

(d) **Consents Under Agreements.** The consent, approval or waiver of each person (other than the Governmental Entities referred to in Sections 3.04 and 4.04) whose consent or approval shall be required in order to permit the succession by the Surviving Bank pursuant to the Merger, to any obligation, right or interest of Bank or any of its Subsidiaries under any loan or credit agreement, note, mortgage, indenture, lease, license or other agreement or instrument shall have been obtained.

(e) **Pooling of Interests.** Parent shall have received an opinion from KPMG Peat Marwick LLP to the effect that the Merger will qualify for pooling-of-interests accounting treatment if closed and consummated in accordance with the Agreement.

7.03 Conditions to Obligations of Bank. The obligation of Bank to effect the Merger is also subject to the satisfaction or waiver by Bank at or prior to the Effective Time of the following conditions: