

(a) **Representations and Warranties.** The representations and warranties of Parent and WTC 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 Bank shall have received a certificate signed on behalf of Parent and WTC by their Chief Executive Officer and Chief Financial Officer to the foregoing effect.

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

ARTICLE VIII

TERMINATION AND AMENDMENT

8.01 Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval of the matters presented in connection with the Merger by the stockholders of Bank, Parent and WTC:

(a) by mutual consent of Parent, WTC and Bank in a written instrument, if the Board of Directors of each so determines by a vote of a majority of the members of its entire Board;

(b) by either Parent, WTC or Bank upon written notice to the other party (i) 90 days after the date on which any request or application for a Requisite Regulatory Approval shall have been denied or withdrawn at the request or recommendation of the Governmental Entity which must grant such Requisite Regulatory Approval, unless within the 90-day period following such denial or withdrawal a petition for rehearing or an amended application has been filed with the applicable Governmental Entity; provided, however, that no party shall have the right to terminate this Agreement pursuant to this Section 8.01(b)(i) if such denial or request or recommendation for withdrawal shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein, or (ii) if any Governmental Entity of competent jurisdiction shall have issued a final nonappealable order enjoining or otherwise prohibiting the consummation of any of the transactions contemplated by this Agreement;

(c) by either Parent, WTC or Bank if the Merger shall not have been consummated on or before September 30, 1999, unless the failure of the Closing to occur by such date shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein; provided, however, that the right to terminate this Agreement under this Section 8.01(c) shall not be available to any party if the principal reason for the Closing not having occurred by September 30, 1999 is the failure of Parent or WTC to have obtained all Requisite Regulatory Approvals notwithstanding the good faith effort of Parent or WTC to obtain such approvals and Parent and/or WTC are seeking in good faith to promptly eliminate all regulatory impediments to the Closing, in which event such September 30, 1999 date shall be extended to November 1, 1999.

(d) by Parent, WTC or Bank if at the Stockholder Meeting held pursuant to Section 6.03 hereof or at any adjournment thereof the requisite approval of the stockholders of Bank required for the consummation of the Merger shall not have been obtained for any reason; provided, however, that no party shall have the right to terminate this Agreement pursuant to this Section 8.01(d) if such failure to obtain the requisite stockholder approval shall be due to the failure of the party seeking to terminate this Agreement to perform or observe the covenants and agreements of such party set forth herein;

(e) by either Parent, WTC or Bank (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the representations or warranties set forth in this Agreement on the part of the other party, which breach is not cured within thirty days following written notice to the party committing such breach, or which breach, by its nature, cannot be cured prior to the Closing;

(f) by either Parent or Bank (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a material breach of any of the covenants or agreements set forth in this Agreement on the part of the other party, which breach shall not have been cured within thirty days following receipt by the breaching party of written notice of such breach from the other party hereto;

(g) by Parent or WTC, if the Board of Directors of Bank does not publicly recommend in the Proxy Statement that Bank stockholders approve and adopt this Agreement, or if after making such recommendation, the Board of Directors of Bank, shall have withdrawn, modified or amended such recommendation in any respect materially adverse to WTC or Parent; or

(h) by Bank, if the Board of Directors of Bank so determines by a vote of a majority of the members of the entire Board, if (i) the Average Parent Common Stock Price is less than 75% of the Initial Parent Common Stock Price and (ii) (A) the number

obtained by dividing the Average Parent Common Stock Price by the Initial Parent Common Stock Price (the "Parent Ratio") shall be less than (B) the number obtained by dividing the Final Index Price by the Initial Index Price and subtracting 0.1 from the quotient in this clause (ii)(B) (the "Index Ratio").

The "Final Index Price" shall mean the average closing value of the share price of the NASDAQ Bank Index (as defined below) as of the close of trading for the fifteen (15) consecutive trading days ending on and including the Approval Date. The "Initial Index Price" shall mean the average closing value of the NASDAQ Bank Index as of the close of trading for the fifteen (15) consecutive trading days ending on and including the date of this Agreement. In the event that the NASDAQ Bank Index is no longer published at anytime during the period through the Approval Date, the Keefe, Bruyette & Woods Bank Index shall be used in place of the NASDAQ Bank Index.

If Bank elects to exercise its termination right pursuant to Section 8.01(h), it shall give written notice to Parent within five (5) days after the Approval Date, such termination to be effective on the fifteenth (15) day following the Approval Date (the "Effective Termination Date"); provided that such notice of election to terminate may be withdrawn at any time prior to the Effective Termination Date. During the five (5) day period commencing with its receipt of such Notice, Parent shall have the option to increase the consideration to be received by holders of Bank Common Stock hereunder by modifying the Exchange Rate initially in effect so that the Exchange Rate then in effect shall instead equal the fraction obtained by dividing \$7.26 by the Average Parent Common Stock Price. If Parent so elects, it shall give, within such five (5) day period, written notice to Bank of such election and the revised Exchange Rate, whereupon no termination shall be deemed to have occurred pursuant to Section 8.01(h) and this Agreement shall remain in full force and effect in accordance with its terms (except as the Exchange Rate shall have been so modified).

8.02 Effect of Termination; Expenses.

(a) In the event of termination of this Agreement by either Parent or Bank as provided in Section 8.01, this Agreement shall forthwith become void and have no effect except (i) the last sentence of Section 5.04 and Sections 6.04(d), 8.02, 8.04, 9.03, 9.04, 9.09 and 9.10 shall survive any termination of this Agreement and (ii) notwithstanding anything to the contrary contained in this Agreement, no party shall be relieved or released from any liabilities or damages arising out of its gross negligence or willful breach of any provision of this Agreement.

(b) If this Agreement is terminated as a result of any breach of a representation or warranty or the breach of a covenant which is caused by the willful conduct or gross negligence of a party hereto, said party shall be liable to the other party for all out-of-pocket costs and expenses, including, without limitation, the reasonable fees and expenses of external lawyers, accountants and investment bankers, incurred by such other party in connection with the entering into of this Agreement and the carrying out of any and all acts contemplated hereunder ("Expenses"). The payment of Expenses is not an exclusive remedy, but is in addition to any

other rights or remedies available to the parties hereto at law or in equity and notwithstanding anything to the contrary contained herein, no party shall be relieved or released from any liabilities or damages arising out of its gross negligence or willful breach of any provisions of this Agreement.

(c) As a condition of Parent's willingness, and in order to induce Parent to enter into this Agreement and to reimburse Parent for incurring the costs and expenses related to entering into this Agreement and consummating the transactions contemplated by this Agreement, Bank will make a cash payment to Parent of \$500,000 if and only if:

(i) (x) Bank or Parent has terminated this Agreement pursuant to Section 8.01(d), or (y) Parent has terminated this Agreement pursuant to Section 8.01(g), or (z) Parent has terminated this Agreement pursuant to Sections 8.01(e) or 8.01(f) and the breach of the representation, warranty, covenant or agreement was caused by the willful conduct or gross negligence of Bank, and

(ii) (x) within twelve months of any such termination or other event specified in (i) above, (A) Bank shall have entered into an agreement to engage in an Acquisition Transaction (as hereinafter defined) with any person other than Parent or any Subsidiary or other affiliate of Parent or (B) the Board of Directors of Bank shall have approved an Acquisition Transaction or recommended that shareholders of Bank approve or accept any Acquisition Transaction with any person other than Parent or any Subsidiary or other affiliate of Parent, or (y) in the case of Section 8.01(g), at the time of such termination any person other than Parent or any subsidiary or affiliate of Parent, shall have made a bona fide proposal to Bank or its shareholders to engage in an Acquisition Transaction by public announcement or written communication that shall be or become the subject of public disclosure.

Any payment required under this Section 8.02(c) will be (i) payable by Bank to Parent (by wire transfer of immediately available funds to an account designated by Parent) within five business days after demand by Parent and (ii) net of any other payments made by Bank to Parent pursuant to the provisions of Section 8.02(b). In the event of a termination under circumstances that would trigger a payment under this Section 8.02(c), any standstill provisions contained in the Confidentiality Agreement shall terminate.

For purposes of this Agreement, "Acquisition Transaction" shall mean (i) a merger, consolidation or other similar transaction involving Bank, (ii) any sale, lease or other disposition of 15% or more of the assets of Bank and its Subsidiaries, taken as a whole, in a single transaction or series of transaction, or (iii) any tender or exchange offer for 15% or more of the outstanding shares of Bank Common Stock, or (iv) any person having acquired beneficial ownership or the right to acquire beneficial ownership of, or any "group" (as such term is defined under Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder) having been formed which beneficially owns or has the right to acquire beneficial ownership of 15% or more of the then outstanding shares of capital stock of such party.

8.03 Amendment. Subject to compliance with applicable law, this Agreement may be amended by the parties hereto, by action taken or authorized by their respective Boards of Directors, at any time before or after approval of the matters presented in connection with the Merger by the stockholders of Bank and WTC. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

8.04 Extension; Waiver. At any time prior to the Effective Time, the parties hereto, by action taken or authorized by their respective Board of Directors, may, to the extent legally allowed, (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in a written instrument signed on behalf of such party, but such extension or waiver or failure to insist on strict compliance with an obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE IX

GENERAL PROVISIONS

9.01 Closing. Subject to the terms and conditions of this Agreement, the closing of the Merger (the "Closing") will take place at 10:00 a.m. on the date which is five (5) business days after the last required approval for the Merger and the other transactions contemplated hereby has been received and the last of all required waiting periods under such approvals has expired (the "Closing Date"), at the offices of Goodwin, Procter & Hoar LLP, Exchange Place, Boston, Massachusetts, unless another time, date or place is agreed to in writing by the parties hereto.

9.02 Nonsurvival of Representations, Warranties and Agreements. None of the representations, warranties, covenants and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall survive the Effective Time, except for those covenants and agreements contained in Sections 2.02, 6.07, 6.09, 6.12, 6.13(c) and 9.02.

9.03 Expenses. Except as provided by Section 8.02(b) hereof, whether or not the Merger is consummated, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such Expense, provided, however, that nothing contained herein shall limit either party's rights under Section 8.02 hereof, including without limitation, the right to recover any liabilities or damages arising out of the other party's willful breach of any provision of this Agreement.

9.04 Notices. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (with confirmation), or delivered by an

express courier (with confirmation) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

- (a) if to Parent or WTC, to:

The Washington Trust Company
23 Broad Street
Westerly, RI 02891-0512
Attn: John C. Warren, President and Chief Executive Officer

with copies to:

Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02109-2881
Attn: Paul W. Lee, P.C.
and Gregory J. Lyons, Esq.

and

- (b) if to Bank, to

PierBank
730 Kingstown Road
Wakefield, RI 02879
Attn: Joseph E. LaPlume, President and Chief Executive Officer

with a copy to:

Adler, Pollock & Sheehan P.C.
2300 BankBoston Plaza
Providence, RI 02903
Attn: Robert Liguori, Esq.
and Stephen Geanacopoulos, Esq.

9.05 Interpretation. When a reference is made in this Agreement to Sections, Exhibits or Schedules, such reference shall be to a Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation." The phrases "the date of this Agreement," "the date hereof" and terms of similar import, unless the context otherwise requires, shall be deemed to be February 22, 1999. "Knowledge" or "best knowledge"

shall be deemed to be present with respect to Bank when the matter in question is known by Joseph E. LaPlume, the chief executive officer, or Gail M. Garreau, the chief financial officer.

9.06 Counterparts. This Agreement may be executed in counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

9.07 Entire Agreement. This Agreement (including the documents and the instruments referred to herein) (a) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof, and (b) except as otherwise expressly provided herein, is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

9.08 Governing Law. This Agreement shall be governed and construed in accordance with the laws of the State of Rhode Island, without regard to any applicable conflicts of law.

9.09 Enforcement of Agreement. The parties hereto agree that irreparable damage would occur in the event that the provisions contained in Section 6.04(d) of this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of Section 6.04(d) of this Agreement and to enforce specifically the terms and provisions thereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

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

9.11 Publicity. Except as otherwise required by law, so long as this Agreement is in effect, neither Parent, WTC nor Bank shall, or shall permit any of its Subsidiaries to, issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld.

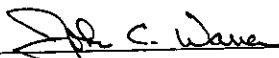
9.12 Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns. Except as otherwise expressly provided herein, this Agreement

(including the documents and instruments referred to herein) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder.

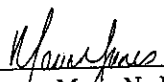
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IN WITNESS WHEREOF, Parent, WTC and Bank have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date first above written.

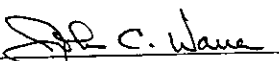
WASHINGTON TRUST BANCORP, INC.


By: John C. Warren
Title: President and Chief Executive Officer

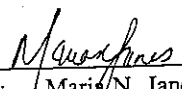
Attest:


By: Maria N. Janes
Title: Vice President and Controller


THE WASHINGTON TRUST COMPANY OF
WESTERLY


By: John C. Warren
Title: President and Chief Executive Officer

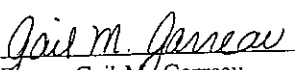
Attest:


By: Maria N. Janes
Title: Vice President and Controller

PIERBANK, INC.


By: Joseph E. LaPlume
Title: President and Chief Executive Officer

Attest:


By: Gail M. Garreau
Title: Chief Financial Officer

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