FORM 8-K

Current report filing

Filing Date: **1996-12-30** | Period of Report: **1996-12-22**
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FILER

ROOSEVELT FINANCIAL GROUP INC

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Mailing Address
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CHESTERFIELD MO 63017

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CHESTERFIELD MO 63017
3145326200

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

Date of Report (Date of earliest event reported): December 22, 1996

ROOSEVELT FINANCIAL GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	0-17403	43-1498200
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

900 Roosevelt Parkway, Chesterfield, Missouri	63017
(Address of principal executive offices)	Zip Code

(314) 532-6200

(Registrant's telephone number, including area code)

INFORMATION TO BE INCLUDED IN THE REPORT

ITEM 5. OTHER EVENTS.

On December 22, 1996, Roosevelt Financial Group, Inc., a corporation organized and existing under the laws of the State of Delaware ("Roosevelt"), and Mercantile Bancorporation, a corporation organized and existing under the laws of the State of Missouri ("Mercantile"), and each registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and as a registered savings and loan holding company under the Home Owners' Loan Act, as amended, entered into an Agreement and Plan of Reorganization (the "Merger Agreement"), pursuant to which Roosevelt will be merged with and into Ameribanc, Inc., a Missouri corporation and a wholly owned subsidiary of Mercantile (the "Merger"). The Executive Committee of the Board of Directors of Mercantile and the Board of Directors of Roosevelt approved the Merger at their meetings held on December 17 and December 22, 1996, respectively.

In accordance with the terms of the Merger Agreement, each share of Roosevelt common stock, par value $.01 per share ("Roosevelt Common Stock"), outstanding immediately prior to the effective time of the Merger (the "Effective Time") will be converted into the right to receive, at the election of the holder thereof as provided in the Merger Agreement, either (i) 0.4211 of a share (the "Exchange Ratio") of Mercantile common stock, par value $5.00 per share ("Mercantile Common Stock"), and the associated preferred share purchase rights under Mercantile's Rights Agreement, dated May 23, 1988, or (ii) $22.00 in cash, provided that the aggregate number of shares of Mercantile Common Stock that shall be issued in the Merger (the "Stock Amount") shall, subject to allocation procedures set forth in the Merger Agreement, not exceed 13,042,110 shares less the number of shares of Mercantile Common Stock issuable upon exercise of Roosevelt stock options or restricted stock outstanding as of the Effective Time.

The Merger is intended to constitute a tax-free reorganization under the Internal Revenue Code of 1986, as amended, and to be accounted for as a purchase.

Consummation of the Merger is subject to various conditions, including: (i) receipt of approval by the shareholders of Roosevelt of appropriate matters relating to the Merger Agreement and the Merger; (ii) receipt of requisite regulatory approvals from the Board of Governors of the Federal Reserve System and other federal and state regulatory authorities as necessary; (iii) receipt by each of Mercantile and Roosevelt of an opinion of counsel in reasonably satisfactory form as to the tax treatment of certain aspects of the Merger; (iv) registration of the shares of Mercantile Common Stock to be issued in the Merger under the Securities Act of 1933, as amended (the "1933 Act") and all applicable state securities laws; (v) conversion or redemption of all outstanding shares of Class I serial preferred stock, par value $.01 per share, and Class II serial preferred stock, no par value, of Roosevelt, in each case in accordance with the terms of the related certificate of designation; and (vi) satisfaction of certain other conditions. All of the directors of Roosevelt, who in the aggregate have voting power over approximately 2.3% of the outstanding shares of Roosevelt Common Stock, based upon 44,147,886 shares of Roosevelt Common Stock outstanding as of December 20, 1996, have agreed with Mercantile to vote all such shares of Roosevelt Common Stock to approve the Merger and not to sell any of such shares, other than pursuant to the Merger, without Mercantile's consent.

The Merger Agreement and the transactions contemplated thereby will be submitted for approval at a meeting of the shareholders of Roosevelt. Prior to such meeting, Mercantile will file a registration statement with the Securities and Exchange Commission registering under the Securities Act of 1933, as amended, the Mercantile stock to be issued in the Merger. Such shares of Mercantile stock will be offered to Roosevelt shareholders pursuant to a prospectus that will also serve as a proxy statement for the shareholders' meeting.

The preceding description of the Merger Agreement is qualified in its entirety by reference to the copy of the Merger Agreement included as Exhibit 2.1 hereto and which is hereby incorporated herein by reference.

In connection with the Merger Agreement, Mercantile and Roosevelt entered into a Stock Option Agreement, dated December 22, 1996 (the "Stock Option Agreement"), pursuant to which Roosevelt granted to Mercantile an irrevocable option to purchase, under certain circumstances, up to 8,785,429 authorized and

unissued shares of Roosevelt Common Stock at a price, subject to certain adjustments, of $18.125 per share (the "Mercantile Option"). The Mercantile Option, if exercised, would equal, before giving effect to the exercise of the Mercantile Option, 19.9% of the total number of shares of Roosevelt Common Stock outstanding. The Mercantile Option was granted by Roosevelt as a condition and inducement to Mercantile's willingness to enter into the Merger Agreement. Under certain circumstances, Roosevelt may be required to repurchase the Mercantile Option or the shares acquired pursuant to the exercise of the Mercantile Option.

The preceding description of the Stock Option Agreement is qualified in its entirety by reference to the copy of the Stock Option Agreement included as Exhibit 2.2 hereto and which is hereby incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits

Exhibit	Description
2.1	Agreement and Plan of Reorganization, dated December 22, 1996, by and between Mercantile Bancorporation Inc. and Roosevelt Financial Group, Inc.
2.2	Stock Option Agreement, dated December 22, 1996, by and between Mercantile Bancorporation Inc., as grantee, and Roosevelt Financial Group, Inc., as issuer.
99	Text of joint press release, dated December 23, 1996, issued by Mercantile Bancorporation Inc. and Roosevelt Financial Group, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ROOSEVELT FINANCIAL GROUP, INC.
(Registrant)

By: /s/ Gary W. Douglass

Gary W. Douglass
Executive Vice President and
Chief Financial Officer

Dated: December 30, 1996

EXHIBIT INDEX

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EXHIBIT 2.1

AGREEMENT AND PLAN OF REORGANIZATION

between

MERCANTILE BANCORPORATION INC.,

as Buyer,

and

ROOSEVELT FINANCIAL GROUP, INC.

as Seller

Dated December 22, 1996

AGREEMENT AND PLAN OF REORGANIZATION

This AGREEMENT AND PLAN OF REORGANIZATION (this "Agreement") is made and entered into on December 22, 1996 by and between MERCANTILE BANCORPORATION INC., a Missouri corporation ("Buyer"), and ROOSEVELT FINANCIAL GROUP, INC., a Delaware corporation (together with its predecessors, "Seller").

W I T N E S S E T H:

WHEREAS, Buyer is a registered bank holding company under the Bank Holding Company Act of 1956, as amended (the "Holding Company Act") and a registered savings and loan holding company under the Home Owners' Loan Act, as amended ("HOLA"); and

WHEREAS, Seller is a registered bank holding company under the Holding Company Act and a registered unitary savings and loan holding company under HOLA; and

WHEREAS, the Board of Directors of Seller and the Executive Committee of the Board of Directors of Buyer have approved the merger (the "Merger") of Seller with and into Ameribanc, Inc., a Missouri corporation and wholly owned subsidiary of Buyer ("Merger Sub") pursuant to the terms and subject to the conditions of this Agreement; and

WHEREAS, for federal income tax purposes, it is intended that the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"); and

WHEREAS, as a condition to, and immediately after the execution of this Agreement, Buyer and each director of Seller will enter into Support Agreements (the "Support Agreements") in the form attached hereto as Exhibit A; and

WHEREAS, as a condition to, and immediately prior to execution of this Agreement, Buyer and Seller will enter into a

stock option agreement (the "Stock Option Agreement") in the form attached hereto as Exhibit B; and

WHEREAS, the parties desire to provide for certain undertakings, conditions, representations, warranties and covenants in connection with the transactions contemplated by this Agreement.

NOW THEREFORE, in consideration of the premises and the representations, warranties and agreements herein contained, the parties agree as follows:

ARTICLE I

THE MERGER

1.01. The Merger. Subject to the terms and conditions of this Agreement, Seller shall be merged with and into Merger Sub in accordance with the Delaware General Corporation Law (the "DGCL") and the Missouri General and Business Corporation Law (the "MGBCL") and the separate corporate existence of Seller shall cease. Merger Sub shall be the surviving corporation of the Merger (sometimes referred to herein as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Missouri.

1.02. Closing. The closing (the "Closing") of the Merger shall take place at 10:00 a.m., local time, on the date that the Effective Time (as defined in Section 1.03) occurs, or at such other time, and at such place, as Buyer and Seller shall agree (the "Closing Date").

1.03. Effective Time. The Merger shall become effective on the date and at the time (the "Effective Time") on which appropriate documents in respect of the Merger are filed with the Secretaries of State of the States of Delaware and Missouri in such form as required by, and in accordance with, the relevant provisions of the DGCL and MGBCL, respectively. Subject to the terms and conditions of this Agreement, the Effective Time shall occur on any such date on or after May 16, 1997 as Buyer shall notify Seller in writing (such notice to be at least five business days in advance of the Effective Time) but (i) not earlier than the satisfaction of all conditions set

forth in Section 6.01(a) and 6.01(b) (the "Approval Date") and (ii) subject to clause (i), not later than the first business day of the first full calendar month commencing at least five business days after the Approval Date. As soon as practicable following the Effective Time, Buyer and Seller shall cause a certificate or plan of merger reflecting the terms of this Agreement to be delivered for filing and recordation with other appropriate state or local officials in the States of Delaware and Missouri in accordance with the DGCL and the MGBCL, respectively.

1.04. Additional Actions. If, at any time after the Effective Time, Buyer or the Surviving Corporation shall consider or be advised that any further deeds, assignments or assurances or any other acts are necessary or desirable to (a) vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of Seller or Merger Sub or (b) otherwise carry out the purposes of this Agreement, Seller and Merger Sub and each of their respective officers and directors, shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney to execute and deliver all such deeds, assignments or assurances and to do all acts necessary or desirable to vest, perfect or confirm title and possession to such rights, properties or assets in the Surviving Corporation and otherwise to carry out the purposes of this Agreement, and the officers and directors of the Surviving Corporation are authorized in the name of Seller or otherwise to take any and all such action.

1.05. Articles of Incorporation and Bylaws. The Articles of Incorporation and Bylaws of Merger Sub in effect immediately prior to the Effective Time shall be the Articles of Incorporation and Bylaws of the Surviving Corporation following the Merger until otherwise amended or repealed.

1.06. Boards of Directors and Officers. At the Ef-

fective Time, the directors and officers of Merger Sub immediately prior to the Effective Time shall be directors and officers, respectively, of the Surviving Corporation following the Merger; such directors and officers shall hold office in accordance with the Surviving Corporation's Bylaws and applicable law.

1.07. Conversion of Securities. At the Effective Time, by virtue of the Merger and without any action on the part of Buyer, Seller or the holder of any of the following securities:

(i) Each share of the common stock, par value $.01 per share, of Merger Sub that is issued and outstanding immediately prior to the Effective Time shall remain outstanding and shall be unchanged after the Merger and shall thereafter constitute all of the issued and outstanding capital stock of the Surviving Corporation; and

(ii) Each share of the common stock, $.01 par value ("Seller Common Stock"), of Seller issued and outstanding immediately prior to the Effective Time, other than any Dissenting Shares (as defined in Section 1.11), shall cease to be outstanding and shall be converted into and become the right to

receive, at the election of the holder thereof as provided in Section 1.08, either

(1) .4211 (the "Exchange Ratio") shares of common stock, par value $5.00 per share ("Buyer Common Stock"), of Buyer and the associated Rights under the Buyer Rights Agreement as those terms are defined in Section 3.02 (the "Per Share Stock Consideration"), or

(2) $22.00 in cash (the "Per Share Cash Consideration");

provided that the aggregate number of shares of Buyer Common Stock that shall be issued in the Merger (the "Stock Amount") shall, subject to the allocation procedures set forth in Section 1.09, be equal to (x) 13,042,110 shares less (y) the

number of shares of Buyer Common Stock issuable upon exercise of the Seller Stock Options or restricted stock outstanding as of the Effective Time.

1.08. Election Procedures. An election form and other appropriate and customary transmittal materials (which shall specify that delivery shall be effected, and risk of loss and title to the certificates theretofore representing Seller Common Stock shall pass, only upon proper delivery of such certificates to an exchange agent designated by Buyer (the "Exchange Agent")) in such form as Buyer and Seller shall mutually agree ("Election Form") shall be mailed approximately 25 days prior to the anticipated Effective Time or on such other date as Buyer and Seller shall mutually agree ("Mailing Date") to each holder of record of Seller Common Stock as of five business days prior to the Mailing Date ("Election Form Record Date"). Buyer shall determine the anticipated Effective Time (the "Anticipated Effective Time") in its sole discretion and the failure of the Effective Time to occur at the Anticipated Effective Time for purposes of this Section 1.08 shall not affect the time periods which are established for purposes of these election procedures.

Each Election Form shall permit the holder (or the beneficial owner through appropriate and customary documentation and instructions) to elect to receive only Buyer Common Stock with respect to such holder's Seller Common Stock ("Stock Election Shares"), to elect to receive only cash with respect to such holder's Seller Common Stock ("Cash Election Shares") or to indicate that such holder makes no election ("No Election Shares"). For purposes of this Section 1.08, Dissenting Shares shall be treated as Cash Election Shares but shall not be converted into the Per Share Stock Consideration or the Per Share Cash consideration except as provided in Section 1.11.

Any Seller Common Stock with respect to which the holder (or the beneficial owner, as the case may be) shall not have submitted to the Exchange Agent an effective, properly completed Election Form on or before 5:00 p.m. on the 20th day following the Mailing Date (or such other time and date as Buyer and Seller may mutually agree) (the "Election Deadline")

shall be deemed to be "No Election Shares."

Buyer shall promptly make available one or more Election Forms as may be reasonably requested by all persons who become holders (or beneficial owners) of Seller Common Stock between the Election Form Record Date and close of business on the business day prior to the Election Deadline, and Seller shall provide to the Exchange Agent all information reasonably necessary for it to perform as specified herein.

Any such election shall have been properly made only if the Exchange Agent shall have actually received a properly completed Election Form by the Election Deadline. An Election Form shall be deemed properly completed only if accompanied by one or more certificates (or customary affidavits and indemnification regarding the loss or destruction of such certificates or the guaranteed delivery of such certificates) representing all shares of Seller Common Stock covered by such Election Form, together with duly executed transmittal materials included in the Election Form. Any Election Form may be revoked or changed by the person submitting such Election Form at or prior to the Election Deadline. In the event an Election Form is revoked prior to the Election Deadline, the shares of Seller Common Stock represented by such Election Form shall become No Election Shares and Buyer shall cause the certificates representing Seller Common Stock to be promptly returned without charge to the person submitting the Election Form upon written request to that effect from the person who submitted the Election Form. Subject to the terms of this Agreement and of the Election Form, the Exchange Agent shall have reasonable discretion to determine whether any election, revocation or change has been properly or timely made and to disregard immaterial defects in the Election Forms, and any good faith decisions of the Exchange Agent regarding such matters shall be binding and conclusive. Neither Buyer nor the Exchange Agent shall be under any obligation to notify any person of any defect in an Election Form.

1.09. Allocation Procedures. Within ten business days after the Election Deadline, unless the Effective Time has not yet occurred, in which case as soon thereafter as practicable, Buyer shall cause the Exchange Agent to effect the allocation among the holders of Seller Common Stock of rights to

receive Buyer Common Stock or cash in the Merger in accordance with the Election Forms as follows:

(a) Stock Elections Less Than Stock Amount. If the number of shares of Buyer Common Stock that would be issued upon conversion in the Merger of the Stock Election Shares is less than the Stock Amount, then:

(i) all Stock Election Shares shall be converted into the right to receive Buyer Common Stock,

(ii) the Exchange Agent shall select first from among the holders of No Election Shares and then (if necessary) pro rata from among the Cash Election Shares (excluding Dissenting Shares), a sufficient number of shares ("Stock Designated Shares") such that the number of shares of Buyer Common Stock that will be issued in the Merger equals as closely as practicable the Stock Amount, and all Stock Designated Shares shall be converted into the right to receive Buyer Common Stock; provided, however, that Buyer shall have the option, in its sole discretion, to satisfy some or all of the Stock Designated Shares by similar pro rata selection in cash in lieu of delivering Buyer Common Stock subject to the requirement that the Merger continue to qualify as a tax-free reorganization for purposes of section 368 of the Code, and

(iii) the Cash Election Shares and the No Election Shares which are not Stock Designated Shares shall be converted into the right to receive cash;

(b) Stock Elections More Than Stock Amount. If the number of shares of Buyer Common Stock that would be issued upon the conversion into Buyer Common Stock of the Stock Election Shares is greater than the Stock Amount, then:

(i) all Cash Election Shares and No Election Shares shall be converted into the right to receive cash,

(ii) the Exchange Agent shall select from among the Stock Election Shares on a pro rata basis, a sufficient number shares ("Cash Designated Shares") such that the number of shares of Buyer Common Stock that

will be issued in the Merger equals as closely as practicable the Stock Amount, and all Cash Designated

Shares shall be converted into the right to receive cash, and

(iii) the Stock Election Shares which are not Cash Designated Shares shall be converted into the right to receive Buyer Common Stock; or

(c) Stock Elections Equal to Stock Amount. If the number of shares of Buyer Common Stock that would be issued upon conversion into Buyer Common Stock of the Stock Election Shares is equal or nearly equal (as determined by the Exchange Agent) to the Stock Amount, then subparagraphs (a) and (b) above and subparagraph (d) below shall not apply and all Stock Election Shares shall be converted into the right to receive Buyer Common Stock and all Cash Election Shares and No Election Shares shall be converted into the right to receive cash; or

(d) Stock Elections and No Elections Equal to Stock Amount. If the number of shares of Buyer Common Stock that would be issued upon the conversion into Buyer Common Stock of the Stock Election Shares and No Election Shares would equal or nearly equal (as determined by the Exchange Agent) the Stock Amount, then subparagraphs (a), (b) and (c) above shall not apply and all Cash Election Shares shall be converted into the right to receive cash and all Stock Election Shares and No Election Shares shall be converted into the right to receive Buyer Common Stock.

1.10. Exchange Procedures. (a) In accordance with Section 1.08, holders of record of certificates formerly representing shares of Seller Common Stock (the "Certificates") shall be instructed to tender such Certificates to Buyer pursuant to a letter of transmittal that Buyer shall deliver or cause to be delivered to such holders, which letter of transmittal shall be included within the election forms distributed pursuant to Section 1.08. Such letters of transmittal shall

specify that risk of loss and title to Certificates shall pass only upon delivery of such Certificates to Buyer or the Exchange Agent (as defined below).

(b) Subject to Section 1.12, after the Effective Time, each previous holder of a Certificate that surrenders such Certificate to the Buyer or, at the election of Buyer, an exchange agent designated by Buyer (the "Exchange Agent") will, upon acceptance thereof by Buyer or the Exchange Agent, be entitled to a certificate or certificates representing the number of full shares of Buyer Common Stock or cash, as the case may be, into which the Certificate so surrendered shall have been converted pursuant to this Agreement and any distribution

theretofore declared and not yet paid with respect to such shares of Buyer Common Stock, without interest.

(c) Buyer or, at the election of Buyer, the Exchange Agent shall accept Certificates upon compliance with such reasonable terms and conditions as Buyer or the Exchange Agent may impose to effect an orderly exchange thereof in accordance with customary exchange practices. Certificates shall be appropriately endorsed or accompanied by such instruments of transfer as Buyer or the Exchange Agent may require.

(d) Each outstanding Certificate shall until duly surrendered to Buyer or the Exchange Agent be deemed to evidence ownership of the consideration into which the stock previously represented by such Certificate shall have been converted pursuant to this Agreement.

(e) After the Effective Time, holders of Certificates shall cease to have rights with respect to the stock previously represented by such Certificates, and their sole rights shall be to exchange such Certificates for the consideration provided for in this Agreement. After the Effective Time, there shall be no further transfer on the records of Seller of Certificates, and if such Certificates are presented to Seller for transfer, they shall be cancelled against delivery of the consideration provided therefor in this Agreement. Buyer shall not be obligated to deliver the consideration to which any

former holder of Seller Common Stock is entitled as a result of the Merger until such holder surrenders the Certificates as provided herein. No dividends declared will be remitted to any person entitled to receive Buyer Common Stock under this Agreement until such person surrenders the Certificate representing the right to receive such Buyer Common Stock, at which time such dividends shall be remitted to such person, without interest and less any taxes that may have been imposed thereon. Certificates surrendered for exchange by any person constituting an "affiliate" of Seller for purposes of Rule 145 of the Securities Act of 1933, as amended (together with the rules and regulations thereunder, the "Securities Act"), shall not be exchanged for certificates representing Buyer Common Stock until Buyer has received a written agreement from such person in the form attached as Exhibit C. Neither the Exchange Agent nor any party to this Agreement nor any affiliate thereof shall be liable to any holder of stock represented by any Certificate for any consideration paid to a public official pursuant to applicable abandoned property, escheat or similar laws. Buyer and the Exchange Agent shall be entitled to rely upon the stock transfer books of Seller to establish the identity of those persons entitled to receive consideration specified in this Agreement, which books shall be conclusive with respect

thereto. In the event of a dispute with respect to ownership of stock represented by any Certificate, Buyer and the Exchange Agent shall be entitled to deposit any consideration represented thereby in escrow with an independent third party and thereafter be relieved with respect to any claims thereto.

1.11. Dissenting Shares. (a) "Dissenting Shares" means any shares held by any holder who becomes entitled to payment of the fair value of such shares under the DGCL. Any holders of Dissenting Shares shall be entitled to payment for such shares only to the extent permitted by and in accordance with the provisions of the DGCL; provided, however, that if, in accordance with the DGCL, any holder of Dissenting Shares shall forfeit such right to payment of the fair value of such shares, such shares shall thereupon be deemed to have been converted into and to have become exchangeable for, as of the Effective Time, the right to receive the consideration provided in this

Article I.

(b) Seller shall give Buyer (i) prompt notice of any written objections to the Merger and any written demands for the payment of the fair value of any shares, withdrawals of such demands, and any other instruments served pursuant to the DGCL received by Seller and (ii) the opportunity to participate in all negotiations and proceedings with respect to such demands under the DGCL. Seller shall not voluntarily make any payment with respect to any demands for payment of fair value and shall not, except with the prior written consent of Buyer, settle or offer to settle any such demands.

1.12. No Fractional Shares. Notwithstanding any other provision of this Agreement, neither certificates nor scrip for fractional shares of Buyer Common Stock shall be issued in the Merger. Each holder who otherwise would have been entitled to a fraction of a share of Buyer Common Stock shall receive in lieu thereof cash (without interest) in an amount determined by multiplying the fractional share interest to which such holder would otherwise be entitled by the Closing Price per share of Buyer Common Stock on the last business day preceding the Effective Time. With respect to a share of stock, "Closing Price" shall mean: the closing price as reported on the Consolidated Tape (as reported in The Wall Street Journal or in the absence thereof, by any other authoritative source). No such holder shall be entitled to dividends, voting rights or any other rights in respect of any fractional share.

1.13. Anti-Dilution Adjustments. If prior to the Effective Time Buyer shall declare a stock dividend or make

distributions upon or subdivide, split up, reclassify or combine or make other similar change to Buyer Common Stock, exchange Buyer Common Stock for a different number or kind of shares or securities or declare a dividend or make a distribution on Buyer Common Stock or on any security convertible into Buyer Common Stock, or is involved in any transaction resulting in any of the foregoing (including any exchange of

Buyer Common Stock for a different number or kind of shares or securities), appropriate adjustment or adjustments will be made to the Exchange Ratio.

1.14. Reservation of Right to Revise Transaction. Buyer may at any time change the method of effecting the acquisition of Seller or Seller's Subsidiaries by Buyer and Seller shall cooperate in such efforts (including without limitation (a) the provisions of this Article I and (b) causing the merger of Roosevelt Bank, a wholly owned subsidiary of Seller ("Seller Bank") and/or any of the Banks (as defined herein) with any depository institution which is a Subsidiary of Buyer (any such merger together with the Merger being referred to herein as the "Transactions")) if and to the extent it deems such change to be desirable, including without limitation to provide for a merger of Seller directly into Buyer, in which Buyer is the surviving corporation, provided, however, that no such change shall (A) alter or change the amount or kind of consideration to be issued to holders of Seller Common Stock as provided for in this Agreement (the "Merger Consideration"), (B) adversely affect the tax treatment to Seller's stockholders as a result of receiving the Merger Consideration or (C) materially delay receipt of any approval referred to in Section 6.01(b) or the consummation of the transactions contemplated by this Agreement.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER

Seller represents and warrants to and covenants with Buyer as follows:

2.01. Organization and Authority. Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and is duly qualified to do business and is in good standing in all jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified, except as set forth on Schedule 2.01 and except where the failure to be so qualified would not have a material adverse effect on the financial condition, results of operations or business (collectively, the "Condition") of Seller and its Subsidiaries,

taken as a whole, and has corporate power and authority to own its properties and assets and to carry on its business as it is now being conducted. Seller is registered as a bank holding company with the Board of Governors of the Federal Reserve System (the "Board") under the Holding Company Act and as a unitary savings and loan holding company with the Office of Thrift Supervision (the "OTS") under HOLA. True and complete copies of the Certificate of Incorporation and the Bylaws of Seller and, to the extent requested in writing by Buyer, of the articles of incorporation and bylaws of the Seller Subsidiaries (as defined in Section 2.02), each as in effect on the date of this Agreement, have been provided to Buyer.

2.02. Subsidiaries. Schedule 2.02 sets forth, among other things, a complete and correct list of all of Seller's Subsidiaries (each a "Seller Subsidiary" and collectively the "Seller Subsidiaries"), all outstanding Equity Securities of each of which, except as set forth on Schedule 2.02, are owned directly or indirectly by Seller. "Equity Securities" of an issuer means capital stock or other equity securities of such issuer, options, warrants, scrip, rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities or rights convertible into, shares of any capital stock or other Equity Securities of such issuer, or contracts, commitments, understandings or arrangements by which such issuer is or may become bound to issue additional shares of its capital stock or other Equity Securities of such issuer, or options, warrants, scrip or rights to purchase, acquire, subscribe to, calls on or commitments for any shares of its capital stock or other Equity Securities. Except as set forth on Schedule 2.02, all of the outstanding shares of capital stock of the Seller Subsidiaries are validly issued, fully paid and nonassessable, and those shares owned by Seller are owned free and clear of any lien, claim, charge, option, encumbrance, agreement, mortgage, pledge, security interest or restriction (a "Lien") with respect thereto. Each of the Seller Subsidiaries is a corporation, savings bank or bank and trust company duly incorporated or organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation or organization, and has corporate power and authority to own or lease its properties and assets and to carry on its business as it is now being conducted. Each of the Seller Subsidiaries is duly qualified to do business in each jurisdiction where its ownership or leasing of property or the conduct of its business requires it so to be qualified, except where the failure to so qualify would not have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole. Except for the Equity Securities of Seller Bank of which Seller owns

100% and except as set forth on Schedule 2.02, Seller does not own beneficially, directly or indirectly, any shares of any

class of Equity Securities or similar interests of any corporation, bank, business trust, association or similar organization. Seller Bank is chartered by the OTS. The deposits of Seller Bank are insured by the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund ("BIF"). The place and type of charter and the applicable insurance fund for each of Seller's other Subsidiaries which are financial institutions (the "Banks") are set forth on Schedule 2.02. Except as set forth on Schedule 2.02, neither Seller nor any Seller Subsidiary holds any interest in a partnership or joint venture of any kind.

2.03. Capitalization. The authorized capital stock of Seller consists of (i) 90,000,000 shares of Seller Common Stock, of which, as of December 20, 1996, 44,147,886 shares were issued and outstanding and (ii) 1,000,000 shares of Class I serial preferred stock, par value $.01 per share, of which, as of December 20, 1996, 999,100 shares were issued and outstanding, and (iii) 2,000,000 shares of Class II serial preferred stock, no par value, of which, as of December 20, 1996, 289,725 shares were issued and outstanding (clauses (ii) and (iii) together, "Seller Preferred Stock"). As of December 20, 1996, Seller had reserved 4,650,000 shares of Seller Common Stock for issuance under Seller's stock option and incentive plans, a list of which is set forth on Schedule 2.03 (the "Seller Stock Plans"), pursuant to which options ("Seller Stock Options") covering 1,176,993 shares of Seller Common Stock were outstanding as of December 20, 1996. Except as set forth on Schedule 2.03, since December 20, 1996, no Equity Securities of Seller have been issued other than shares of Seller Common Stock which may have been issued upon the exercise of Seller Stock Options. Except as set forth above, there are no other Equity Securities of Seller outstanding. All of the issued and outstanding shares of Seller Common Stock are validly issued, fully paid, and nonassessable, and have not been issued in violation of any preemptive right of any stockholder of Seller. Each share of Seller Preferred Stock may be called for redemption on and after May 16, 1997. Since December 20, 1996,

Seller has not granted any options or similar rights pursuant to which shares of Seller Common Stock may be issued and has not issued any shares of Seller Common Stock.

2.04. Authorization. (a) Except as set forth on Schedule 2.04A, Seller has the corporate power and authority to enter into this Agreement and, subject to the approval of this Agreement by the stockholders of Seller, to carry out its obligations hereunder. The only stockholder vote required for Seller to approve this Agreement is the affirmative vote of the holders of at least a majority of the shares of Seller Common Stock entitled to vote at a meeting called for such purpose.

The execution, delivery and performance of this Agreement by Seller and the consummation by Seller of the transactions contemplated hereby have been duly authorized by the Board of Directors of Seller. Subject to approval by the stockholders of Seller, this Agreement is a valid and binding obligation of Seller enforceable against Seller in accordance with its terms.

(b) Except as set forth on Schedule 2.04B, neither the execution nor delivery nor performance by Seller of this Agreement, nor the consummation by Seller of the transactions contemplated hereby, nor compliance by Seller with any of the provisions hereof, will (i) violate, conflict with, or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any Lien upon any of the material properties or assets of Seller or any Seller Subsidiary under any of the terms, conditions or provisions of (x) its articles or certificate of incorporation or bylaws or (y) any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Seller or any Seller Subsidiary is a party or by which it may be bound, or to which Seller or any Seller Subsidiary or any of the material properties or assets of Seller or any Seller Subsidiary may be subject, or (ii) subject to compliance with the statutes and regulations referred to in paragraph (c) of this Section 2.04, to the best

knowledge of Seller, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Seller or any Seller Subsidiary or any of their respective material properties or assets.

(c) Other than in connection or in compliance with the provisions of the DGCL, the MGBCL, the Securities Act, the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "Exchange Act"), the securities or blue sky laws of the various states or filings, consents, reviews, authorizations, approvals or exemptions required under the Holding Company Act, and the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act"), or any required approvals or filings pursuant to any state statutes or regulations applicable to Seller, Buyer or their respective Subsidiaries with respect to the transactions contemplated by this Agreement, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any public body or authority is necessary for the consummation by Seller of the transactions contemplated by this Agreement.

2.05. Seller Financial Statements. The consolidated balance sheets of Seller and its Subsidiaries as of December 31, 1995, 1994 and 1993 and related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the three-year period ended December 31, 1995, together with the notes thereto, audited by KPMG Peat Marwick LLP and included in an annual report on Form 10-K (including amendments thereto) as filed with the Securities and Exchange Commission (the "SEC"), and the unaudited consolidated balance sheets of Seller and its Subsidiaries as of March 31, June 30, and September 30, 1996 and the related unaudited consolidated statements of income and cash flows for the periods then ended, together with the notes thereto, included in quarterly reports on Form 10-Q (including amendments thereto) (each a "Seller Form 10-Q") as filed with the SEC (collectively, the "Seller Financial Statements"), except as set forth on Schedule 2.05, have been prepared in accordance with generally accepted accounting principles applied on a consistent basis ("GAAP"),

present fairly the consolidated financial position of Seller and its Subsidiaries at the dates and the consolidated results of operations, cash flows and changes in stockholders' equity of Seller and its Subsidiaries for the periods stated therein and are derived from the books and records of Seller and its Subsidiaries, which are complete and accurate in all material respects and have been maintained in all material respects in accordance with applicable laws and regulations. Except as set forth on Schedule 2.05, neither Seller nor any of its Subsidiaries has any material contingent liabilities that are not reflected in the Seller Reports (defined below) or disclosed in the financial statements described above.

2.06. Seller Reports. Except as set forth on Schedule 2.06, since January 1, 1993, each of Seller and the Seller Subsidiaries has filed all material reports, registrations and statements, together with any required material amendments thereto, that it was required to file with (i) the SEC, including, but not limited to, Forms 10-K, Forms 10-Q, Forms 8-K and proxy statements, (ii) the OTS, (iii) the FDIC, (iv) the Board and (v) any other federal, state, municipal, local or foreign government, securities, banking, savings and loan, insurance and other governmental or regulatory authority and the agencies and staffs thereof (the entities in the foregoing clauses (i) through (v) being referred to herein collectively as the "Regulatory Authorities" and individually as a "Regulatory Authority"). All such reports and statements filed with any such Regulatory Authority are collectively referred to herein as the "Seller Reports." As of its respective date, each Seller Report complied in all material respects with all the rules and regulations promulgated by the applicable Regulatory Authority and did not contain 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 under which they were made, not misleading.

2.07. Properties and Leases. Except as set forth on Schedule 2.07 or as may be reflected in the Seller Financial Statements, except for any Lien for current taxes not yet delinquent and except with respect to assets classified as real

estate owned, Seller and its Subsidiaries have good title free and clear of any material Lien to all the real and personal property reflected in Seller's consolidated balance sheet as of September 30, 1996 included in the most recent Seller Form 10-Q and, in each case, all real and personal property acquired since such date, except such real and personal property as has been disposed of in the ordinary course of business. All leases material to Seller or any Seller Subsidiary pursuant to which Seller or any Seller Subsidiary, as lessee, leases real or personal property, are valid and effective in accordance with their respective terms, and there is not, under any of such leases, any material existing default by Seller or any Seller Subsidiary or any event which, with notice or lapse of time or both, would constitute such a material default. Substantially all of Seller's and Seller Subsidiaries' buildings, structures and equipment in regular use have been well maintained and are in good and serviceable condition, normal wear and tear excepted.

2.08. Taxes. Except as set forth on Schedule 2.08 or except as previously disclosed to Buyer, Seller and each Seller Subsidiary have timely filed or will timely (including extensions) file all material tax returns required to be filed at or prior to the Closing Date ("Seller Returns"). Each of Seller and its Subsidiaries has paid, or set up adequate reserves on the Seller Financial Statements for the payment of, all taxes required to be paid in respect of the periods covered by such returns and has set up adequate reserves on the most recent financial statements Seller has filed under the Exchange Act for the payment of all taxes anticipated to be payable in respect of all periods up to and including the latest period covered by such financial statements. Neither Seller nor any Seller Subsidiary will have any liability material to the Condition of Seller and the Seller Subsidiaries, taken as a whole, for any such taxes in excess of the amounts so paid or reserves so established and no material deficiencies for any tax, assessment or governmental charge have been proposed, asserted or assessed (tentatively or definitely) against any of Seller or any Seller Subsidiary which would not be covered by existing

reserves. Neither Seller nor any Seller Subsidiary is delinquent in the payment of any material tax, assessment or governmental charge, nor, except as previously disclosed, has it requested any extension of time within which to file any tax returns in respect of any fiscal year which have not since been filed and no requests for waivers of the time to assess any tax are pending. The federal and state income tax returns of Seller and the Seller Subsidiaries have been audited and settled by the Internal Revenue Service (the "IRS") or appropriate state tax authorities for all periods ended through December 31, 1991 or the period for assessment of taxes in respect of such periods has expired. There is no deficiency or refund litigation or matter in controversy with respect to Seller Returns. Neither Seller nor any Seller Subsidiary has extended or waived any statute of limitations on the assessment of any tax due that is currently in effect.

2.09. Material Adverse Change. Since September 30, 1996, there has been no material adverse change in the Condition of Seller and its Subsidiaries, taken as a whole, except as may have resulted or may result from changes to laws and regulations or changes in economic conditions applicable to banking and thrift institutions generally or in general levels of interest rates affecting banking and thrift institutions generally.

2.10. Commitments and Contracts. (a) Except as set forth on Schedule 2.10A, neither Seller nor any Seller Subsidiary is a party or subject to any of the following (whether written or oral, express or implied):

(i) any material agreement, arrangement or commitment (A) not made in the ordinary course of business or (B) pursuant to which Seller or any of its Subsidiaries is or may become obligated to invest in or contribute capital to any Seller Subsidiary;

(ii) any agreement, indenture or other instrument not disclosed in the Seller Financial Statements relating to the borrowing of money by Seller or any Seller Subsidiary or the guarantee by Seller or any Seller Subsidiary of any such obligation (other than trade payables or instruments related to transactions entered into in the ordinary course of business by any Seller Subsidiary, such as deposits and Fed Funds borrowings);

(iii) any contract, agreement or understanding with any labor union or collective bargaining organi-

zation;

(iv) any contract containing covenants which limit the ability of Seller or any Seller Subsidiary to compete in any line of business or with any person or which involve any restriction of the geographical area in which, or method by which, Seller or any Seller Subsidiary may carry on its business (other than as may be required by law or any applicable Regulatory Authority);

(v) any other contract or agreement which is a "material contract" within the meaning of Item 601(b)(10) of Regulation S-K promulgated by the SEC; or

(vi) any lease with annual rental payments aggregating $250,000 or more.

(b) Neither Seller nor any Seller Subsidiary is in violation of its charter documents or bylaws or in default under any material agreement, commitment, arrangement, lease, insurance policy, or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event that, with the lapse of time or giving of notice or both, would constitute such a default, except, in all cases, where such default would not have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole.

2.11. Litigation and Other Proceedings. Except as set forth on Schedule 2.11, neither Seller nor any Seller Subsidiary is a party to any pending or, to the best knowledge of Seller, threatened claim, action, suit, investigation or proceeding, or is subject to any order, judgment or decree, except for matters which, in the aggregate, will not have, or reasonably could not be expected to have, a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole, or which purports or seeks to enjoin or restrain the transactions contemplated by this Agreement. Without limiting the generality of the foregoing, as of the date of this Agree-

ment, there are no actions, suits, or proceedings pending or, to the best knowledge of Seller, threatened against Seller or any Seller Subsidiary or any of their respective officers or directors by any stockholder of Seller or any Seller Subsidiary (or any former stockholder of Seller or any Seller Subsidiary) or involving claims under the Securities Act, the Exchange Act, the Community Reinvestment Act of 1977, as amended, or the fair lending laws.

2.12. Insurance. Each of Seller and its Subsidiaries has taken all requisite action (including without limitation the making of claims and the giving of notices) pursuant to its directors' and officers' liability insurance policy or policies in order to preserve all rights thereunder with respect to all matters (other than matters arising in connection with this Agreement and the transactions contemplated hereby) occurring prior to the Effective Time that are known to Seller, except for such matters which, individually or in the aggregate, will not have and reasonably could not be expected to have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole. Set forth on Schedule 2.12 is a list of all insurance policies maintained by or for the benefit of Seller or its Subsidiaries or their directors, officers, employees or agents.

2.13. Compliance with Laws. (a) Except as set forth on Schedule 2.13A, Seller and each of its Subsidiaries have all permits, licenses, authorizations, orders and approvals of, and have made all filings, applications and registrations with, all Regulatory Authorities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted and that are material to the business of Seller and its Subsidiaries; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, to the best knowledge of Seller, no suspension or cancellation of any of them is threatened; and all such filings, applications and registrations are current.

(b) Except as set forth on Schedule 2.13B and except for failures to comply or defaults which individually or in the aggregate would not have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole, (i) each of Seller and its Subsidiaries has complied with all laws, regulations and orders (including without limitation zoning ordinances, building codes, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and securities, tax, environmental, civil rights, and occupational health and safety laws and regulations and including without limitation in the case of any Seller Subsidiary that is a bank or savings association, banking organization, banking corporation or trust company, all statutes, rules, regulations and policy statements pertaining to the conduct of a banking, deposit-taking, lending or related business, or to the exercise of trust powers) and governing instruments applicable to them and to the conduct of their business, and (ii) neither Seller nor any Seller Subsidiary is in default under, and no event has occurred which, with the lapse of time or notice or both, could result in the default under, the terms of any judgment, order, writ, decree,

permit, or license of any Regulatory Authority or court, whether federal, state, municipal, or local and whether at law or in equity. Except as set forth on Schedule 2.13B, as of the date of this Agreement, neither Seller nor any Seller Subsidiary is subject to or reasonably likely to incur a liability as a result of its ownership, operation, or use of any Property (as defined below) of Seller (whether directly or, to the best knowledge of Seller, as a consequence of such Property being part of the investment portfolio of Seller or any Seller Subsidiary) (A) that is contaminated by or contains any hazardous waste, toxic substance, or related materials, including without limitation asbestos, PCBs, pesticides, herbicides, and any other substance or waste that is hazardous to human health or the environment (collectively, a "Toxic Substance"), or (B) on which any Toxic Substance has been stored, disposed of, placed, or used in the construction thereof. "Property" of a person shall include all property (real or personal, tangible or intangible) owned or controlled by such person, including without limitation property under foreclosure, property held by such

person or any Subsidiary of such person in its capacity as a trustee and property in which any venture capital or similar unit of such person or any Subsidiary of such person has an interest. Except as set forth on Schedule 2.13B, no claim, action, suit, or proceeding is pending against Seller or any Seller Subsidiary relating to Property of Seller before any court or other Regulatory Authority or arbitration tribunal relating to hazardous substances, pollution, or the environment, and there is no outstanding judgment, order, writ, injunction, decree, or award against or affecting Seller or any Seller Subsidiary with respect to the same. Except for statutory or regulatory restrictions of general application, no Regulatory Authority has placed any restriction on the business of Seller or any Seller Subsidiary which reasonably could be expected to have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole.

(c) From and after January 1, 1993, neither Seller nor any Seller Subsidiary has received any notification or communication which has not been resolved from any Regulatory Authority (i) asserting that any Seller or any Subsidiary of Seller, is not in substantial compliance with any of the statutes, regulations or ordinances that such Regulatory Authority enforces, except with respect to matters which (A) are set forth on Schedule 2.13C or in any writing previously furnished to Buyer and (B) reasonably could not be expected to have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole, (ii) threatening to revoke any license, franchise, permit or governmental authorization that is material to the Condition of Seller and its Subsidiaries, taken as a whole, including without limitation such company's

status as an insured depositary institution under the Federal Deposit Insurance Act, or (iii) requiring or threatening to require Seller or any of its Subsidiaries, or indicating that Seller or any of its Subsidiaries may be required, to enter into a cease and desist order, agreement or memorandum of understanding or any other agreement restricting or limiting or purporting to direct, restrict or limit in any manner the operations of Seller or any of its Subsidiaries, including without limitation any restriction on the payment of dividends. No

such cease and desist order, agreement or memorandum of understanding or other agreement is currently in effect.

(d) Except as set forth on Schedule 2.17D, neither Seller nor any Seller Subsidiary is required by Section 32 of the Federal Deposit Insurance Act to give prior notice to any federal banking agency of the proposed addition of an individual to its board of directors or the employment of an individual as a senior executive officer.

2.14. Labor. No work stoppage involving Seller or any Seller Subsidiary, is pending or, to the best knowledge of Seller, threatened which reasonably could be expected to have a material adverse effect on the Condition of Seller and its Subsidiaries, taken as a whole. Neither Seller nor any Seller Subsidiary is involved in, or, to the best knowledge of Seller, threatened with or affected by, any labor dispute, arbitration, lawsuit or administrative proceeding which reasonably could be expected to have a material adverse affect on the Condition of Seller and its Subsidiaries, taken as a whole. Employees of neither Seller nor any Seller Subsidiary, are represented by any labor union or any collective bargaining organization.

2.15. Material Interests of Certain Persons. (a) Except as set forth in Seller's Proxy Statement for its 1996 Annual Meeting of Stockholders, to the best knowledge of Seller, no officer or director of Seller or any Subsidiary of Seller, or any "associate" (as such term is defined in Rule 14a-1 under the Exchange Act) of any such officer or director, has any material interest in any material contract or property (real or personal, tangible or intangible), used in, or pertaining to the business of, Seller or any Subsidiary of Seller, which in the case of Seller is required to be disclosed by Item 404 of Regulation S-K promulgated by the SEC or in the case of any such Subsidiary would be required to be so disclosed if such Subsidiary had a class of securities registered under Section 12 of the Exchange Act.

(b) Except as set forth in Seller's Proxy Statement for its 1996 Annual Meeting of Stockholders or on Schedule 2.15B, there are no loans from Seller or any Seller Subsidiary

to any present officer, director, employee or any associate or related interest of any such person which was or would be required under any rule or regulation to be approved by or reported to Seller's or Seller Subsidiary's Board of Directors ("Insider Loans"). All outstanding Insider Loans from Seller or any Seller Subsidiary were approved by or reported to the appropriate board of directors in accordance with applicable law and regulations.

2.16. Allowance for Loan and Lease Losses; Nonperforming Assets. (a) The allowances for loan and lease losses contained in the Seller Financial Statements were established in accordance with the past practices and experiences of Seller and its Subsidiaries, and the allowance for loan losses shown on the consolidated condensed balance sheet of Seller and its Subsidiaries contained in the most recent Seller Form 10-Q is adequate in all material respects under the requirements of GAAP to provide for possible losses on loans (including without limitation accrued interest receivable) and credit commitments (including without limitation stand-by letters of credit) outstanding as of the date of such balance sheet.

(b) As of September 30, 1996, the aggregate amount of all Nonperforming Assets (as defined below) on the books of Seller and its Subsidiaries does not exceed $74,889,000. "Nonperforming Assets" shall mean (i) all loans and leases (A) that are contractually past due 90 days or more in the payment of principal and/or interest, (B) that are on nonaccrual status, (C) where a reasonable doubt exists, in the reasonable judgment of Seller, as to the timely future collectibility of principal and/or interest, whether or not interest is still accruing or the loan is less than 90 days past due, (D) where the interest rate terms have been reduced and/or the maturity dates have been extended subsequent to the agreement under which the loan was originally created due to concerns regarding the borrower's ability to pay in accordance with such initial terms, (E) where a specific reserve allocation exists in connection therewith, or (F) that have been classified "doubtful", "loss" or the equivalent thereof by any Regulatory Authority, and (ii) all assets classified as real estate acquired through foreclosure or repossession and other assets acquired through foreclosure or repossession.

2.17. Employee Benefit Plans. (a) Except as set forth on Schedule 2.17A, neither Seller nor any Seller Subsidiary is a party to any existing employment, management, consulting, deferred compensation, change-in-control or other similar contract. Schedule 2.17A lists all pension, retirement, supplemental retirement, savings, profit sharing, stock option, stock purchase, stock ownership, stock appreciation

right, deferred compensation, consulting, bonus, medical, disability, workers' compensation, vacation, group insurance, severance and other material employee benefit, incentive and welfare policies, contracts, plans and arrangements, and all trust agreements related thereto, maintained (currently or at any time in the last five years) by or contributed to by Seller or any Seller Subsidiary in respect of any of the present or former directors, officers, or other employees of and/or consultants to Seller or any Seller Subsidiary (collectively, "Seller Employee Plans"). Seller has furnished, or will promptly furnish after the date hereof, Buyer with the following documents with respect to each Seller Employee Plan: (i) a true and complete copy of all written documents comprising such Seller Employee Plan (including amendments and individual agreements relating thereto) or, if there is no such written document, an accurate and complete description of the Seller Employee Plan; (ii) the most recent Form 5500 or Form 5500-C (including all schedules thereto), if applicable; (iii) the most recent financial statements and actuarial reports, if any; (iv) the summary plan description currently in effect and all material modifications thereof, if any; and (v) the most recent IRS determination letter, if any. Without limiting the generality of the foregoing, Seller has furnished Buyer with true and complete copies of each form of stock option grant or stock option agreement that is outstanding under any stock option plan of Seller or any Seller Subsidiary.

(b) All Seller Employee Plans have been maintained and operated materially in accordance with their terms and with the material requirements of all applicable statutes, orders, rules and final regulations, including without limitation ERISA and the Internal Revenue Code ("IRC"). All contributions required to be made to Seller Employee Plans have been made.

(c) With respect to each of the Seller Employee Plans which is a pension plan (as defined in Section 3(2) of ERISA) (the "Pension Plans"): (i) each Pension Plan which is intended to be "qualified" within the meaning of Section 401(a) of the IRC has been determined to be so qualified by the IRS and, to the knowledge of Seller, such determination letter may

still be relied upon, and each related trust is exempt from taxation under Section 501(a) of the IRC; (ii) the actuarial present value of all benefits under each Pension Plan which is subject to Title IV of ERISA, valued using the assumptions in the most recent actuarial report, did not, in each case, as of the last applicable annual valuation date (as indicated on Schedule 2.17A), exceed the value of the assets of the Pension Plan allocable to such vested or accrued benefits; (iii) to the best knowledge of Seller, there has been no "prohibited transaction," as such term is defined in Section 4975 of the IRC or

Section 406 of ERISA, which could subject any Pension Plan or associated trust, or the Seller or any Seller Subsidiary, to any material tax or penalty; (iv) except as set forth on Schedule 2.17C, no Pension Plan subject to Title IV of ERISA or any trust created thereunder has been terminated, nor have there been any "reportable events" with respect to any Pension Plan, as that term is defined in Section 4043 of ERISA for which the 30-day notice requirement has not been waived on or after January 1, 1985; and (v) no Pension Plan or any trust created thereunder has incurred any "accumulated funding deficiency", as such term is defined in Section 302 of ERISA (whether or not waived). Except as set forth on Schedule 2.17C, no Pension Plan is a "multiemployer plan" as that term is defined in Section 3(37) of ERISA. With respect to each Pension Plan that is described in Section 4063(a) of ERISA (a "Multiple Employer Pension Plan"): (i) neither Seller nor any Seller Subsidiary would have any liability or obligation to post a bond under Section 4063 of ERISA if Seller and all Seller Subsidiaries were to withdraw from such Multiple Employer Pension Plan; and (ii) neither Seller nor any Seller Subsidiary would have any liability under Section 4064 of ERISA if such Multiple Employer Pension Plan were to terminate.

(d) Except as set forth on Schedule 2.17D, neither Seller nor any Seller Subsidiary has any liability for any post-retirement health, medical or similar benefit of any kind whatsoever, except as required by statute or regulation.

(e) Except as set forth on Schedule 2.17E, neither Seller nor any Seller Subsidiary has any material liability

under ERISA or the IRC as a result of its being a member of a group described in Sections 414(b), (c), (m) or (o) of the IRC.

(f) Except as set forth on Schedule 2.17F, neither the execution nor delivery of this Agreement, nor the consummation of any of the transactions contemplated hereby, will (i) result in any material payment (including without limitation severance, unemployment compensation or golden parachute payment) becoming due to any director or employee of Seller or any Seller Subsidiary from any of such entities, (ii) materially increase any benefit otherwise payable under any of the Seller Employee Plans or (iii) result in the acceleration of the time of payment of any such benefit. No holder of an option to acquire stock of Seller has or will have at any time through the Effective Time the right to receive any cash or other payment (other than the issuance of stock of Seller) in exchange for or with respect to all or any portion of such option. Seller shall use its best efforts to insure that no amounts paid or payable by Seller, Seller Subsidiaries or Buyer to or with respect to any employee or former employee of Seller or any

Seller Subsidiary will fail to be deductible for federal income tax purposes by reason of Section 280G of the IRC. No Seller Stock Option has an associated "Additional Option Right" or similar "re-load" feature.

2.18. Conduct of Seller to Date. From and after January 1, 1996 through the date of this Agreement, except as set forth on Schedule 2.18 or in Seller Financial Statements or Seller Reports: (i) Seller and the Seller Subsidiaries have conducted their respective businesses in all material respects in the ordinary and usual course consistent with past practices; (ii) neither Seller nor any Seller Subsidiary has incurred any material obligation or liability (absolute or contingent), except normal trade or business obligations or liabilities incurred in the ordinary course of business, or subjected to Lien any of its assets or properties other than in the ordinary course of business consistent with past practice; (iii) neither Seller nor any Seller Subsidiary has discharged or satisfied any material Lien or paid any material obligation or liability (absolute or contingent), other than in the ordi-

nary course of business; (iv) neither Seller nor any Seller Subsidiary has sold, assigned, transferred, leased, exchanged, or otherwise disposed of any of its material properties or assets other than for a fair consideration in the ordinary course of business; (v) except as required by contract or law, neither Seller nor any Seller Subsidiary has (A) increased the rate of compensation of, or paid any bonus to, any of its directors, officers, or other employees, except merit, promotion or annual increases and bonuses in accordance with existing policy, (B) entered into any new, or amended or supplemented any existing, employment, management, consulting, deferred compensation, severance, or other similar contract, (C) entered into, terminated, or substantially modified any of the Seller Employee Plans or (D) agreed to do any of the foregoing; (vi) neither Seller nor any Seller Subsidiary has suffered any material damage, destruction, or loss, whether as the result of fire, explosion, earthquake, accident, casualty, labor trouble, requisition, or taking of property by any Regulatory Authority, flood, windstorm, embargo, riot, act of God or the enemy, or other casualty or event, and whether or not covered by insurance; and (vii) neither Seller nor any Seller Subsidiary has cancelled or compromised any debt, except for debts charged off or compromised in accordance with the past practice of Seller and its Subsidiaries.

2.19. Proxy Statement, etc. None of the information regarding Seller or any Seller Subsidiary supplied or to be supplied by Seller for inclusion or included in (i) the registration statement on Form S-4 to be filed with the SEC by Buyer for the purpose of registering the shares of Buyer Common Stock

to be exchanged for shares of Seller Common Stock pursuant to the provisions of this Agreement (the "Registration Statement"), (ii) the proxy or information statement (the "Proxy Statement") to be mailed to Seller's stockholders in connection with the transactions contemplated by this Agreement or (iii) any other documents to be filed with any Regulatory Authority in connection with the transactions contemplated hereby will, at the respective times such documents are filed with any Regulatory Authority and, in the case of the Registration Statement, when it becomes effective and, with respect to the Proxy

Statement, when mailed, be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein not misleading or, in the case of the Proxy Statement or any amendment thereof or supplement thereto, at the time of the meeting of Seller's stockholders referred to in Section 5.03 (the "Meeting") (or, if no Meeting is held, at the time the Proxy Statement is first furnished to Seller's stockholders), be false or misleading with respect to any material fact, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of any proxy for the Meeting. All documents which Seller or any Seller Subsidiary is responsible for filing with any Regulatory Authority in connection with the Merger will comply as to form in all material respects with the provisions of applicable law.

2.20. Registration Obligations. Except as set forth on Schedule 2.20, neither Seller nor any Seller Subsidiary is under any obligation, contingent or otherwise to register any of its securities under the Securities Act.

2.21. State Takeover Statutes; Seller's Certificate of Incorporation. (a) Except as set forth on Schedule 2.21, the transactions contemplated by this Agreement are not subject to any applicable state takeover law.

(b) Except as set forth on Schedule 2.21, the transactions contemplated by this Agreement and the agreements contemplated hereby are not, and will not be, prohibited by, or subject to the super majority provisions of Sections 9 or 12 of the Seller's Certificate of Incorporation.

2.22. Accounting, Tax and Regulatory Matters. Neither Seller nor any Seller Subsidiary has taken or agreed to take any action or has any knowledge of any fact or circumstance that would (i) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the IRC or (ii) materially impede or delay receipt of any approval referred to in Section 6.01(b) or the

consummation of the transactions contemplated by this Agreement.

2.23. Brokers and Finders. Except for Montgomery Securities and Stifel, Nicolaus & Company, Incorporated neither Seller nor any Seller Subsidiary nor any of their respective officers, directors or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted directly or indirectly for Seller or any Seller Subsidiary in connection with this Agreement or the transactions contemplated hereby. Schedule 2.23 discloses a bona fide estimate of the aggregate amount of all fees and expenses expected to be paid by Seller to all third parties in connection with the Merger ("Merger Fees").

2.24. Other Activities. (a) Except as set forth on Schedule 2.24A, neither Seller nor any of its Subsidiaries engages in any insurance activities other than acting as a principal, agent or broker for insurance that is directly related to an extension of credit by Seller or any of its Subsidiaries and limited to assuring the repayment of the balance due on the extension of credit in the event of the death, disability or involuntary unemployment of the debtor.

(b) Except as set forth on Schedule 2.24B, to the knowledge of Seller's management: each Subsidiary that is a bank that performs personal trust, corporate trust and other fiduciary activities ("Trust Activities") has done so with requisite authority under applicable law of Regulatory Authorities and in material accordance with the agreements and instruments governing such Trust Activities, sound fiduciary principles and applicable law and regulation (specifically including but not limited to Section 9 of Title 12 of the Code of Federal Regulations); there is no investigation or inquiry by any governmental entity pending or threatened against Seller or any of its Subsidiaries thereof relating to the compliance by Seller or any of its Subsidiaries with sound fiduciary principles and applicable law and regulations; and each employee of any such bank had the authority to act in the capacity in which such employee acted with respect to Trust Activities in each case in which such employee was held out as a representative of such bank; and such bank has established policies and procedures for the purpose of complying with applicable laws of governmental entities relating to Trust Activities, has followed such policies and procedures in all material respects and has performed appropriate internal audit reviews of Trust Activities, which audits have disclosed no material violations of applicable laws of governmental entities or such policies and procedures.

2.25. Interest Rate Risk Management Instruments. (a) Set forth on Schedule 2.25A is a list, as of the date hereof, of all interest rate swaps, caps, floors, and option agreements and other interest rate risk management arrangements to which Seller or any of its Subsidiaries is a party or by which any of their properties or assets may be bound.

(b) All interest rate swaps, caps, floors and option agreements and other interest rate risk management arrangements to which Seller or any of its Subsidiaries is a party or by which any of their properties or assets may be bound were entered into in the ordinary course of business and, to the best knowledge of Seller, in accordance with prudent banking practice and applicable rules, regulations and policies of Regulatory Authorities and with counterparties believed to be financially responsible at the time and are legal, valid and binding obligations and are in full force and effect. Seller and each of its Subsidiaries has duly performed in all material respects all of its obligations thereunder to the extent that such obligations to perform have accrued, and there are no material breaches, violations or defaults or allegations or assertions of such by any party thereunder.

2.26. Accuracy of Information. To the best knowledge of Seller, the statements of Seller contained in this Agreement, the Schedules and any other written document executed and delivered by or on behalf of Seller pursuant to the terms of this Agreement are true and correct in all material respects, and such statements and documents do not omit any material fact necessary to make the statements contained therein not misleading.

ARTICLE III

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BUYER

Buyer represents, and warrants to and covenants with Seller as follows:

3.01. Organization and Authority. Buyer and each of its Subsidiaries is a corporation, bank, trust company or other

entity duly organized, validly existing and in good standing under the laws of the jurisdiction of organization, is duly qualified to do business and is in good standing in all jurisdictions where its ownership or leasing of property or the conduct of its business requires it to be so qualified and, except where the failure to be so qualified would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole, has corporate power and authority to own its properties and assets and to carry on its business as it is now

being conducted, except, in the case of the Buyer Subsidiaries, where the failure to be so qualified would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. Buyer is registered as a bank holding company with the Board under the Holding Company Act. True and complete copies of the Articles of Incorporation and Bylaws of Buyer and Merger Sub, each in effect on the date of this Agreement, have been provided to Seller.

3.02. Capitalization of Buyer. The authorized capital stock of Buyer consists of (i) 100,000,000 shares of Buyer Common Stock, of which, as of November 30, 1996, 61,586,802 shares were issued and outstanding and (ii) 5,000,000 shares of preferred stock, no par value ("Buyer Preferred Stock"), issuable in series, none of which, as of November 30, 1996, is issued or outstanding. Buyer has designated 1,000,000 shares of Buyer Preferred Stock as "Series A Junior Participating Preferred Stock" and has reserved such shares for issuance upon exercise of Preferred Stock Purchase Rights under a Rights Agreement dated May 23, 1988 (the "Buyer Rights Agreement"), between Buyer and Mercantile Bank of St. Louis National Association, as Rights Agent. As of November 30, 1996 Buyer had reserved (i) 4,074,479 shares of Buyer Common Stock for issuance under various employee stock option and incentive plans ("Buyer Stock Options"), (ii) 600,418 shares of Buyer Common Stock for issuance upon the acquisition of Regional Bancshares, Inc. pursuant to an agreement dated August 22, 1996, and (iii) up to 17,235,960 shares of Buyer Common Stock for issuance upon the acquisition of Mark Twain Bancshares, Inc. ("Mark Twain") pursuant to an agreement dated October 27, 1996 (the "Mark Twain Merger Agreement"). From November 30, 1996 through the

date of this Agreement, no shares of Buyer Common Stock or other Equity Securities of Buyer have been issued excluding any such shares which may have been issued pursuant to stock-based employee benefit or incentive plans and programs or pursuant to the foregoing agreements. Buyer continually evaluates possible acquisitions and may prior to the Effective Time enter into one or more agreements providing for, and may consummate, the acquisition by it of another bank, association, bank holding company, savings and loan holding company or other company (or the assets thereof) for consideration that may include equity securities. In addition, prior to the Effective Time, Buyer may, depending on market conditions and other factors, otherwise determine to issue equity, equity-linked or other securities for financing purposes. Notwithstanding the foregoing, Buyer will not take any action that would (i) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the IRC or (ii) materially impede or delay receipt of any approval referred to in Section 6.01(b) or the consummation of the transactions contemplated by

this Agreement. Except as set forth above and except pursuant to the Buyer Rights Agreement, there are no other Equity Securities of Buyer outstanding. All of the issued and outstanding shares of Buyer Common Stock are validly issued, fully paid, and nonassessable, and have not been issued in violation of any preemptive right of any stockholder of Buyer. At the Effective Time, the Buyer Common Stock to be issued in the Merger will be duly authorized, validly issued, fully paid and non-assessable, and will not be issued in violation of any preemptive right of any stockholder of Buyer.

3.03. Authorization. (a) Each of Buyer and Merger Sub has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder. No stockholder vote is required for Buyer to approve this Agreement. The execution, delivery and performance of this Agreement by Buyer and Merger Sub and the consummation by Buyer and Merger Sub of the transactions contemplated hereby have been duly authorized by all requisite corporate action of Buyer. This Agreement is a valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

(b) Neither the execution, delivery and performance by Buyer of this Agreement, nor the consummation by Buyer of the transactions contemplated hereby, nor compliance by Buyer with any of the provisions hereof, will (i) violate, conflict with or result in a breach of any provisions of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) or result in the termination of, or accelerate the performance required by, or result in a right of termination or acceleration of, or result in the creation of, any Lien upon any of the material properties or assets of Buyer or any Buyer Subsidiary under any of the terms, conditions or provisions of (x) its articles or certificate of incorporation or bylaws, or (y) any material note, bond, mortgage, indenture, deed of trust, license, lease, agreement or other instrument or obligation to which Buyer or any of the material properties or assets of Buyer is a party or by which it may be bound, or to which Buyer may be subject, or (ii) subject to compliance with the statutes and regulations referred to in paragraph (c) of this Section 3.03, to the best knowledge of Buyer, violate any judgment, ruling, order, writ, injunction, decree, statute, rule or regulation applicable to Buyer or any of its Subsidiaries or any of their respective material properties or assets.

(c) Other than in connection with or in compliance with the provisions of the DGCL, the MGBCL, the Securities Act,

the Exchange Act, the securities or blue sky laws of the various states or filings, consents, reviews, authorizations, approvals or exemptions required under the Holding Company Act, and the HSR Act, or any required approvals of, or notice to, any other Regulatory Authority, no notice to, filing with, exemption or review by, or authorization, consent or approval of, any public body or authority is necessary for the consummation by Buyer of the transactions contemplated by this Agreement.

3.04. Buyer Financial Statements. The supplemental consolidated and parent company only balance sheets of Buyer

and its Subsidiaries as of December 31, 1995, 1994 and 1993 and related supplemental consolidated and parent company only statements of income, cash flows and changes in stockholders' equity for each of the three years in the three-year period ended December 31, 1995, together with the notes thereto, audited by KPMG Peat Marwick ("Buyer Auditors") and included in Buyer's current report on Form 8-K dated May 31, 1995 as filed with the SEC, and the unaudited consolidated balance sheets of Buyer and its Subsidiaries as of March 31, June 30, and September 30, 1996 and the related unaudited consolidated statements of income and cash flows for the periods then ended included in quarterly reports on Form 10-Q (including amendments thereto) as filed with the SEC (collectively, the "Buyer Financial Statements"), have been prepared in accordance with GAAP, present fairly the consolidated financial position of Buyer and its Subsidiaries at the dates and the consolidated results of operations, changes in stockholders' equity and cash flows of Buyer and its Subsidiaries for the periods stated therein and are derived from the books and records of Buyer and its Subsidiaries, which are complete and accurate in all material respects and have been maintained in all material respects in accordance with applicable laws and regulations. Neither Buyer nor any of its Subsidiaries has any material contingent liabilities that are not reflected in the Buyer Reports (defined below) or disclosed in the financial statements described above.

3.05. Buyer Reports. Since January 1, 1993, each of Buyer and the Buyer Subsidiaries has filed all material reports, registrations and statements, together with any required material amendments thereto, that it was required to file with any Regulatory Authority. All such reports and statements filed with any such Regulatory Authority are collectively referred to herein as the "Buyer Reports." As of its respective date, each Buyer Report complied in all material respects with all the rules and regulations promulgated by the applicable Regulatory Authority and did not contain 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 under which they were

made, not misleading.

3.06. Material Adverse Change. Since September 30, 1996, there has been no material adverse change in the Condition of Buyer and its Subsidiaries, taken as a whole, except as may have resulted or may result from changes to laws and regulations or changes in economic conditions applicable to banking and thrift institutions generally or in general levels of interest rates affecting banking and thrift institutions generally.

3.07. Compliance with Laws. (a) Each of Buyer and its Subsidiaries has complied with all laws, regulations, and orders (including without limitation zoning ordinances, building codes, ERISA, and securities, tax, environmental, civil rights, and occupational health and safety laws and regulations and including without limitation in the case of any Buyer Subsidiary that is a bank, banking organization, banking corporation or trust company, all statutes, rules and regulations, pertaining to the conduct of a banking, deposit-taking or lending or related business or to the exercise of trust powers) and governing instruments applicable to them and to the conduct of their business, except where such failure to comply would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole, and (ii) neither Buyer nor any Buyer Subsidiary is in default under, and no event has occurred which, with the lapse of time or notice or both, could result in the default under, the terms of any judgment, order, writ, decree, permit, or license of any Regulatory Authority or court, whether federal, state, municipal, or local and whether at law or in equity, except where such default would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. Neither Buyer nor any Buyer Subsidiary is subject to or reasonably likely to incur a liability as a result of its ownership, operation, or use of any Property of Buyer (whether directly or, to the best knowledge of Buyer, as a consequence of such Property being part of the investment portfolio of Buyer or any Buyer Subsidiary) (A) that is contaminated by or contains any Toxic Substance, or (B) on which any Toxic Substance has been stored, disposed of, placed, or used in the construction thereof; and which, in each case, reasonably could be expected to have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. Except for statutory or regulatory restrictions of general application, no Regulatory Authority has placed any restriction on the business of Buyer or any Buyer Subsidiary which reasonably could be expected to have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. As

of the date of this Agreement, no claim, action, suit, or proceeding is pending against Buyer or any Buyer Subsidiary relating to Property of Buyer before any court or other Regulatory Authority or arbitration tribunal relating to hazardous substances, pollution, or the environment, and there is no outstanding judgment, order, writ, injunction, decree, or award against or affecting Buyer or any Buyer Subsidiary with respect to the same.

(b) Buyer and each of its Subsidiaries have all permits, licenses, authorizations, orders and approvals of, and have made all filings, applications and registrations with, all Regulatory Authorities that are required in order to permit them to own or lease their properties and assets and to carry on their business as presently conducted, except where the failure to so have or make would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole; all such permits, licenses, certificates of authority, orders and approvals are in full force and effect and, to the best knowledge of Buyer, no suspension or cancellation of any of them is threatened; and all such filings, applications and registrations are current.

(c) From and after January 1, 1993, neither Buyer nor any Buyer Subsidiary has received any notification or communication which has not been resolved from any Regulatory Authority (i) asserting that any Buyer or any Subsidiary of Buyer, is not in substantial compliance with any of the statutes, regulations or ordinances that such Regulatory Authority enforces, except with respect to matters which (A) are set forth on Schedule 3.07C or in any writing previously furnished to Buyer or (B) reasonably could not be expected to have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole, (ii) threatening to revoke any license, franchise, permit or governmental authorization that is material to the Condition of Buyer and its Subsidiaries, taken as a whole, including without limitation such company's status as an insured depositary institution under the Federal Deposit Insurance Act, or (iii) requiring or threatening to require Buyer or any of its Subsidiaries, or indicating that Buyer or any of its Subsidiaries may be required, to enter into a cease

and desist order, agreement or memorandum of understanding or any other agreement restricting or limiting or purporting to direct, restrict or limit in any material manner the operations of Buyer or any of its Subsidiaries, including without limitation any restriction on the payment of dividends. No such cease and desist order, agreement or memorandum of understanding or other agreement is currently in effect.

(d) Neither Buyer nor any Buyer Subsidiary is required by Section 32 of the Federal Deposit Insurance Act to give prior notice to any federal banking agency of the proposed addition of an individual to its board of directors or the employment of an individual as a senior executive officer.

3.08. Registration Statement, etc. None of the information regarding Buyer or any of its Subsidiaries supplied or to be supplied by Buyer for inclusion or included in (i) the Registration Statement, (ii) the Proxy Statement, or (iii) any other documents to be filed with any Regulatory Authority in connection with the transactions contemplated hereby will, at the respective times such documents are filed with any Regulatory Authority and, in the case of the Registration Statement, when it becomes effective and, with respect to the Proxy Statement, when mailed (or furnished to stockholders of Seller), be false or misleading with respect to any material fact, or omit to state any material fact necessary in order to make the statements therein not misleading or, in the case of the Proxy Statement or any amendment thereof or supplement thereto, at the time of the Meeting, be false or misleading with respect to any material fact, or omit to state any material fact necessary to correct any statement in any earlier communication with respect to the solicitation of any proxy for the Meeting. All documents which Buyer or any of its Subsidiaries are responsible for filing with any Regulatory Authority in connection with the Merger will comply as to form in all material respects with the provisions of applicable law.

3.09. Brokers and Finders. Except for UBS Securities Inc., neither Buyer nor any of its Subsidiaries nor any of

their respective officers, directors or employees has employed any broker or finder or incurred any liability for any financial advisory fees, brokerage fees, commissions or finder's fees, and no broker or finder has acted directly or indirectly for Buyer or any of its Subsidiaries in connection with this Agreement or the transactions contemplated hereby.

3.10. Commitments and Contracts. Neither Buyer nor any Buyer Subsidiary is in violation of its charter documents or bylaws or in default under any material agreement, commitment, arrangement, lease, insurance policy, or other instrument, whether entered into in the ordinary course of business or otherwise and whether written or oral, and there has not occurred any event that, with the lapse of time or giving of notice or both, would constitute such a default, except, in all cases, where such default would not have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole.

3.11. Litigation and Other Proceedings. Neither Buyer nor any Buyer Subsidiary is a party to any pending or, to the best knowledge of Buyer, threatened claim, action, suit, investigation or proceeding, or is subject to any order, judgment or decree, except for matters which, in the aggregate, will not have, or reasonably could not be expected to have, a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. Without limiting the generality of the foregoing, as of the date of this Agreement, there are no actions, suits, or proceedings pending or, to the best knowledge of Buyer, threatened against Buyer or any Buyer Subsidiary or any of their respective officers or directors by any stockholder of Buyer or any Buyer Subsidiary (or any former stockholder of Buyer or any Buyer Subsidiary) or involving claims under the Securities Act, the Exchange Act, the Community Reinvestment Act of 1977, as amended, or the fair lending laws or which purport or seek to enjoin or restrain the transactions contemplated by this Agreement.

3.12. Interest Rate Risk Management Instruments. All interest rate swaps, caps, floors and option agreements and

other interest rate risk management arrangements to which Buyer or any of its Subsidiaries is a party or by which any of their properties or assets may be bound were entered into in the ordinary course of business and, to the knowledge of Buyer, in accordance with prudent banking practice and applicable rules, regulations and policies of Regulatory Authorities and with counterparties believed to be financially responsible at the time and are legal, valid and binding obligations and are in full force and effect. Buyer and each of its Subsidiaries has duly performed in all material respects all of its obligations thereunder to the extent that such obligations to perform have accrued, and, to the knowledge of Buyer, as of the date hereof, there are no material breaches, violations or defaults or allegations or assertions of such by any party thereunder.

3.13. Taxes. Buyer and each Buyer Subsidiary have timely filed or will timely file (including extensions) all material tax returns required to be filed at or prior to the Closing Date ("Buyer Returns"). Each of Buyer and its Subsidiaries has paid, or set up adequate reserves on the Buyer Financial Statements for the payment of, all taxes required to be paid in respect of the periods covered by the Buyer Financial Statements and has paid or set up adequate reserves on the most recent financial statements Buyer has filed under the Exchange Act for the payment of, all taxes anticipated to be payable in respect of the periods covered by such financial statements. No material deficiencies for any tax, assessment or governmental charge have been proposed, asserted or assessed in writing by any governmental or taxing authority against any of Buyer or

any Buyer Subsidiary which have not been settled or would not be covered by existing reserves. Neither Buyer nor any Buyer Subsidiary is delinquent in the payment of any material tax, assessment or governmental charge shown to be due on any Buyer Return (taking into account extensions properly obtained), and no waiver of the time to assess any tax granted in writing by Buyer or any Buyer Subsidiary is pending. The federal and state income tax returns of Buyer and the Buyer Subsidiaries have been audited and settled by the IRS or appropriate state tax authorities for all periods ended through December 31, 1992, or the period for assessment of taxes in respect of such

periods has expired.

3.14. Accounting, Tax and Regulatory Matters. Neither Buyer nor any Buyer Subsidiary has taken or agreed to take any action or has any knowledge of any fact or circumstance that would (i) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the IRC or (ii) materially impede or delay receipt of any approval referred to in Section 6.01(b) or the consummation of the transactions contemplated by this Agreement.

3.15. Accuracy of Information. The statements of Buyer contained in this Agreement, the Schedules and in any other written document executed and delivered by or on behalf of Buyer pursuant to the terms of this Agreement are true and correct in all material respects, and such statements and documents do not omit any material fact necessary to make the statements contained herein or therein not misleading.

3.16. Labor. No work stoppage involving Buyer or any Buyer Subsidiary, is pending or, to the best knowledge of Buyer, threatened which reasonably could be expected to have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole. Neither Buyer nor any Buyer Subsidiary is involved in, or, to the best knowledge of Buyer, threatened with or affected by, any labor dispute, arbitration, law suit or administration proceeding which reasonably could be expected to have a material adverse effect on the Condition of Buyer and its Subsidiaries, taken as a whole.

3.17. Mark Twain Merger Agreement. In the case of the representations and warranties made by Mark Twain, as of the date hereof, to the knowledge of Buyer after reasonable inquiry, (i) the representations and warranties of Mark Twain set forth in Article II of the Mark Twain Merger Agreement are true and correct as if made on the date hereof and (ii) there has been no breach or violation of, or default under, the Mark Twain Merger Agreement by Mark Twain or by Buyer. As of the date hereof, the Mark Twain Merger Agreement has not been

amended, modified or supplemented, and there have been no waiv-

ers of any conditions granted by either party thereto.

ARTICLE IV

CONDUCT OF BUSINESSES PRIOR TO THE EFFECTIVE TIME

4.01. Conduct of Businesses Prior to the Effective Time. During the period from the date of this Agreement to the Effective Time, each of Buyer and Seller shall, and shall cause each of their respective Subsidiaries to, conduct its business according to the ordinary and usual course consistent with past practices and shall, and shall cause each such Subsidiary to, use its best efforts to maintain and preserve its business organization, employees and advantageous business relationships and retain the services of its officers and key employees.

4.02. Forbearances. Except as set forth on Schedule 4.02 or as otherwise contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, Seller shall not and shall not permit any of its Subsidiaries to, without the prior written consent of Buyer:

(a) declare, set aside or pay any dividends or other distributions, directly or indirectly, in respect of its capital stock (other than dividends from a Subsidiary of Seller to Seller or another Subsidiary of Seller), except that Seller may (i) declare and pay cash dividends on the Seller Common Stock of not more than $.17 per share per quarterly period and (ii) declare and pay cash dividends on Seller Preferred Stock of not more than $.8125 per share per quarterly period; provided, that the parties agree to consult with respect to the last quarterly dividend of Seller payable prior to the Effective Time with the object of assuring that the shareholders of Seller do not receive a shortfall or a premium based on the record and payment dates of their last dividend prior to the Merger and the record and payment dates of the first dividend of Buyer following the Merger; or

(b) enter into or amend any employment, severance or similar agreement or arrangement with any director or officer or employee, or materially modify any of the Seller Employee Plans or grant any salary or wage increase or materially increase any employee benefit (including incentive or bonus payments), except normal individual increases in compensation to employees consistent with past practice, or as required by law or contract; or

(c) authorize, recommend (subject to the fiduciary duties of Seller's Board of Directors, based upon written advice of counsel to Seller, which counsel is reasonably acceptable to Buyer), propose or announce an intention to authorize, so recommend or propose, or enter into an agreement in principle with respect to, any merger, consolidation or business combination (other than the Merger), any acquisition of a material amount of assets or securities, any disposition of a material amount of assets or securities or any release or relinquishment of any material contract rights; or

(d) propose or adopt any amendments to its articles of incorporation, association or other charter document or bylaws; or

(e) issue, sell, grant, confer or award any of its Equity Securities (except that Seller may (i) issue shares of Seller Common Stock upon exercise of Seller Stock Options outstanding on the date of this Agreement, (ii) issue shares of Seller Common Stock upon the conversion of Seller Preferred Stock, (iii) issue shares of Seller Common Stock as contemplated by the Seller's Supplemental Pension Plan, or (iv) issue shares of Seller Common Stock pursuant to the Seller's dividend reinvestment plan) or effect any stock split or adjust, combine, reclassify or otherwise change its capitalization as it existed on the date of this Agreement; or

(f) purchase, redeem, retire, repurchase, or exchange, or otherwise acquire or dispose of, directly or indirectly, any of its Equity Securities, whether pursuant to the terms of such Equity Securities or otherwise; provided, however, that Seller shall be permitted to purchase up to 6,973,380 shares of Seller Common Stock (as contemplated by Section 5.17) at a purchase price per share not to exceed $22.00 per share; or

(g) (i) without first consulting with Buyer, enter into, renew or increase any loan or credit commitment (including stand-by letters of credit) to, or invest or agree

to invest in any person or entity or modify any of the material provisions or renew or otherwise extend the maturity date of any existing loan or credit commitment (collectively, "Lend to") in an amount in excess of (A) $500,000 in respect of commercial transactions, including commercial real estate transactions ("Commercial Transactions") and (B) $1,000,000 in respect of residential real estate transactions, or in an amount which, or when aggregated with any and all loans or credit commitments to

such person or entity, would be in excess of (A) $500,000 in respect of commercial transactions, including Commercial Transactions and (B) $1,000,000 in respect of residential real estate transactions; (ii) without first obtaining the written consent of Buyer, lend to any person or entity in an amount in excess of $750,000 in respect of Commercial Transactions or in an amount which, when aggregated with any and all loans or credit commitments to such person or entity, would be in excess of $750,000 in respect of Commercial Transactions; (iii) Lend to any person other than in accordance with lending policies as in effect on the date hereof; provided that in the case of clauses (ii) and (iii) Seller or any Seller Subsidiary may make any such loan in the event (A) Seller or any Seller Subsidiary has delivered to Buyer or its designated representative a notice of its intention to make such loan and such information as Buyer or its designated representative may reasonably require in respect thereof and (B) Buyer or its designated representative shall not have reasonably objected to such loan by giving written or facsimile notice of such objection within two business days following the delivery to Buyer of the notice of intention and information as aforesaid; or (iv) Lend to any person or entity any of the loans or other extensions of credit to which or investments in which are on a "watch list" or similar internal report of Seller or any Seller Subsidiary (except those denoted "pass" thereon), in an amount in excess of $250,000; provided, however, that nothing in this paragraph shall prohibit Seller or any Seller Subsidiary from honoring any contractual obligation in existence on the date of this Agreement. Notwithstanding the provisions of clauses (i)

and (ii) of this Section 4.02(g), Seller shall be authorized without first consulting with Buyer or obtaining Buyer's prior written consent, to increase the aggregate amount of any credit facilities theretofore established in favor of any person or entity (each a "Pre-Existing Facility"), provided that the aggregate amount of any and all such increases with respect to any Pre-Existing Facility shall not without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, be in excess of the lesser of five percent (5%) of such Pre-Existing Facility or $25,000; or;

(h) directly or indirectly (including through its officers, directors, employees or other representatives) initiate, solicit or encourage any discussions, inquiries or proposals with any third party relating to the disposition of any significant portion of the business or assets of Seller or any Seller Subsidiary or the acquisition of Equity Securities of Seller or any Seller Subsidiary or the

merger of Seller or any Seller Subsidiary with any person (other than Buyer) or any similar transaction (each such transaction being referred to herein as an "Acquisition Transaction"), or provide any such person with information or assistance or negotiate with any such person with respect to an Acquisition Transaction, and Seller shall promptly notify Buyer orally of all the relevant details relating to all inquiries, indications of interest and proposals which it may receive with respect to any Acquisition Transaction; or

(i) take any action that would (A) materially impede or delay the consummation of the transactions contemplated by this Agreement or the ability of Buyer or Seller to obtain any approval of any Regulatory Authority required for the transactions contemplated by this Agreement or to perform its covenants and agreements under this Agreement or (B) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the IRC; or

(j) other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money, assume, guarantee, endorse or otherwise as an accommodation become responsible or liable for the obligations of any other individual, corporation or other entity, or pay without prior approval of Buyer, which shall not be unreasonably withheld, any Merger Fees in excess of the amount set forth on Schedule 2.23; or

(k) materially restructure or materially change its investment securities portfolio, without prior written consent of Buyer which consent shall not be unreasonably withheld or delayed, through purchases, sales or otherwise, or the manner in which the portfolio is classified or reported, or execute any individual investment transaction for its own account (i) in securities backed by the full faith and credit of the United States or an agency thereof in excess of $10,000,000 and (ii) in any other investment securities in excess of $1,000,000; or

(l) agree in writing or otherwise to take any of the foregoing actions or engage in any activity, enter into any transaction or take or omit to take any other act which would make any of the representations and warranties in Article II of this Agreement untrue or incorrect in any material respect if made anew after engaging in such activity, entering into such transaction, or taking or omitting such other act.

4.03. Forbearances of Buyer. Except to the extent required by law, regulation or Regulatory Authority, or with the prior written consent of Seller, during the period from the date of this Agreement to the Effective Time, Buyer shall not and shall not permit any of the Buyer Subsidiaries to:

(a) declare, set aside or pay any dividends or other distributions, directly or indirectly, in respect of its capital stock (other than dividends from any of the Buyer Subsidiaries to Buyer or to another of the Buyer Subsidiaries), except that Buyer may pay its regular quarterly divi-

dends in amounts as it shall determine from time to time;

(b) take any action that would (A) materially impede or delay the consummation of the transactions contemplated by this Agreement or the ability of Seller or Buyer to obtain any approval of any Regulatory Authority required for the transactions contemplated by this Agreement or to perform its covenants and agreements under this Agreement or (B) prevent the transactions contemplated hereby from qualifying as a reorganization within the meaning of Section 368 of the Code; or

(c) agree in writing or otherwise to take any of the foregoing actions or engage in any activity, enter into any transaction or intentionally take or omit to take any other action which would make any of the representations and warranties in Article III of this Agreement untrue or incorrect in any material respect if made anew after engaging in such activity, entering into such transaction, or taking or omitting such other action.

ARTICLE V

ADDITIONAL AGREEMENTS

5.01. Access and Information. Buyer and its Subsidiaries, on the one hand, and Seller and its Subsidiaries, on the other hand, shall each afford to each other, and to the other's accountants, counsel and other representatives, full access during normal business hours, during the period prior to the Effective Time, to all their respective properties, books, contracts, commitments and records and, during such period, each shall furnish promptly to the other (i) a copy of each report, schedule and other document filed or received by it during such period pursuant to the requirements of federal and state securities laws and (ii) all other information concerning its business, properties and personnel as such other party may reasonably request. Each party hereto shall, and shall cause its advisors and representatives to, (A) hold confidential all

information obtained in connection with any transaction contem-

plated hereby with respect to the other party which is not otherwise public knowledge, (B) return all documents (including copies thereof) obtained hereunder from the other party to such other party and (C) use its best efforts to cause all information obtained pursuant to this Agreement or in connection with the negotiation of this Agreement to be treated as confidential and not use, or knowingly permit others to use, any such information unless such information becomes generally available to the public.

5.02. Registration Statement; Regulatory Matters. (a) Buyer shall prepare and, subject to the review and consent of Seller with respect to matters relating to Seller, file with the SEC as soon as is reasonably practicable the Registration Statement (or the equivalent in the form of preliminary proxy material) with respect to the shares of Buyer Common Stock to be issued in the Merger and the exercise of Buyer Stock Options after the Effective Time. Buyer shall prepare and file a notice with the Board as soon as reasonably practicable. Buyer shall use all reasonable efforts to cause the Registration Statement to become effective. Buyer shall also take any action required to be taken under any applicable state blue sky or securities laws in connection with the issuance of such shares and the exercise of such options, and Seller and its Subsidiaries shall furnish Buyer all information concerning Seller and its Subsidiaries and the stockholders thereof as Buyer may reasonably request in connection with any such action. Buyer shall use its best efforts to cause the shares of Buyer Common Stock to be issued in the Merger to be approved for listing on the New York Stock Exchange, subject to official notice of issuance, prior to the Effective Time.

(b) Seller and Buyer shall cooperate and use their respective best efforts to prepare all documentation, to effect all filings and to obtain all permits, consents, approvals and authorizations of all third parties, Regulatory Authorities necessary to consummate the transactions contemplated by this Agreement and, as and if directed by Buyer, to consummate such other mergers, consolidations or asset transfers or other transactions by and among Buyer's Subsidiaries and Seller's Subsidiaries concurrently with or following the Effective Time, provided, however, that the foregoing shall not (A) alter or change the Merger Consideration, (B) adversely affect the tax treatment to Sellers' stockholders as a result of receiving the Merger Consideration or (C) materially impede or delay receipt of any approval referred to in Section 6.01(b) or the consummation of the transactions contemplated by this Agreement.

5.03. Stockholder Approval. Seller shall call a meeting of its stockholders to be held as soon as practicable for the purpose of voting upon the Merger or take other action for stockholders to authorize the Merger. In connection therewith, Buyer shall prepare the Proxy Statement and, with the approval of each of Buyer and Seller, the Proxy Statement shall be filed with the SEC and mailed to the stockholders of Seller. The Board of Directors of Seller shall submit for approval of Seller's stockholders the matters to be voted upon in order to authorize the Merger. The Board of Directors of Seller hereby does and (subject to the fiduciary duties of Seller's Board of Directors, as advised by outside counsel) will recommend this Agreement and the transactions contemplated hereby to stockholders of Seller and will use its best efforts to obtain any vote of Seller's stockholders that is necessary for the approval and adoption of this Agreement and consummation of the transactions contemplated hereby.

5.04. Current Information. During the period from the date of this Agreement to the Effective Time, each party shall promptly furnish the other with copies of all monthly and other interim financial statements as the same become available and shall cause one or more of its designated representatives to confer on a regular and frequent basis with representatives of the other party. Each party shall promptly notify the other party of any material change in its business or operations and of any governmental complaints, investigations or hearings (or communications indicating that the same may be contemplated), or the institution or the threat of material litigation involving such party, and shall keep the other party fully informed of such events.

5.05. Agreements of Affiliates. As soon as practicable after the date of this Agreement, Seller shall deliver to Buyer a letter identifying all persons whom Seller believes to be, at the time this Agreement is submitted to a vote of the stockholders of Seller, "affiliates" of Seller for purposes of Rule 145 under the Securities Act. Seller shall use its best efforts to cause each person who is so identified as an "affiliate" to deliver to Buyer as soon as practicable thereafter, and in any event no later than the publication of notice in the

Federal Register of Buyer's notice to the Board referred to in Section 5.02, a written agreement providing that from the date of such agreement each such person will agree not to sell, pledge, transfer or otherwise dispose of any shares of stock of Seller held by such person or any shares of Buyer Common Stock to be received by such person in the Merger except in compliance with the applicable provisions of the Securities Act. Prior to the Effective Time, Seller shall amend and supplement such letter and use its best efforts to cause each additional

person who is identified as an "affiliate" to execute a written agreement as set forth in this Section 5.05.

5.06. Expenses. Each party hereto shall bear its own expenses incident to preparing, entering into and carrying out this Agreement and to consummating the Merger.

5.07. Miscellaneous Agreements and Consents. (a) Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its respective best efforts to take, or cause to be taken, all action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement as expeditiously as possible, including without limitation using its respective best efforts to lift or rescind any injunction or restraining order or other order adversely affecting the ability of the parties to consummate the transactions contemplated hereby. Each party shall, and shall cause each of its respective subsidiaries to, use its best efforts to obtain consents of all third parties and Regulatory Authorities necessary or, in the opinion of Buyer, desirable for the consummation of the transactions contemplated by this Agreement.

(b) Subject to applicable laws, regulations and requirements of Regulatory Authorities, Seller, prior to the Effective Time, shall (i) consult and cooperate with Buyer regarding the implementation of those policies and procedures established by Buyer for its governance and that of its Subsidiaries and not otherwise referenced in Section 5.15 hereof, including, without limitation, policies and procedures pertain-

ing to the accounting, asset/liability management, audit, credit, human resources, treasury and legal functions, and (ii) at the request of Buyer, conform Seller's existing policies and procedures in respect of such matters to Buyer's policies and procedures or, in the absence of any existing Seller policy or procedure regarding any such function, introduce Buyer's policies or procedures in respect thereof, unless to do so would cause Seller or any of the Seller Subsidiaries to be in violation of any law, rule or regulation of any Regulatory Authority having jurisdiction over Seller and/or the Seller Subsidiary affected thereby, provided, however, that prior to the date that it shall be a requirement hereunder for such policies and procedures to be established, Buyer shall certify to Seller that Buyer's representations and warranties are true and correct as of such date, that the approval conditions to its obligations contemplated by Section 6.01(b) have been satisfied or waived (except to the extent that any waiting period associated therewith may then have commenced but not expired) and that

Buyer is otherwise in compliance with this Agreement; and provided, further, that Seller shall not be required to take any such action that is not consistent with GAAP and regulatory accounting principles.

5.08. Employee Benefits. The Seller Employee Plans shall not be terminated by reason of the Merger but shall continue thereafter as plans of the Surviving Corporation until such time as the employees of Seller and the Seller Subsidiaries are integrated into Buyer's employee benefit plans that are available to other employees of Buyer and Buyer Subsidiaries, subject to the terms and conditions specified in such plans and to such changes therein as may be necessary to reflect the consummation of the Merger. Buyer shall take such steps as are necessary or required to integrate the employees of Seller and the Seller Subsidiaries in Buyer's employee benefit plans available to other employees of Buyer and Buyer Subsidiaries as soon as practicable after the Effective Time, (i) with full credit for prior service with Seller or any of the Seller Subsidiaries for all purposes other than determining the amount of benefit accruals under any defined benefit plan, (ii) without

any waiting periods, evidence of insurability, or application of any pre-existing condition limitations, and (iii) with full credit for claims arising prior to the Effective Time for purposes of deductibles, out-of-pocket maximums, benefit maximums, and all other similar limitations for the applicable plan year during which the Merger is consummated. Each of Buyer and Seller shall use all reasonable efforts to insure that no amounts paid or payable by Seller, Seller Subsidiaries or Buyer to or with respect to any employee or former employee of Seller or any Seller Subsidiary will fail to be deductible for federal income tax purposes by reason of Section 280G of the IRC. Seller shall ensure that following the Effective Time no holder of Seller Employee Stock Options or any participant in any Seller Stock Plan shall have any right thereunder to acquire any securities of Seller or any Seller Subsidiary.

5.09. Seller Stock Options. (a) At the Effective Time, all rights with respect to Seller Common Stock pursuant to Seller Stock Options that are outstanding at the Effective Time, whether or not then exercisable, shall be converted into and become rights with respect to Buyer Common Stock, and Buyer shall assume Seller Stock Option in accordance with the terms of the stock option plan under which it was issued and the stock option agreement by which it is evidenced. From and after the Effective Time, (i) each Seller Stock Option assumed by Buyer shall be exercised solely for shares of Buyer Common Stock, (ii) the number of shares of Buyer Common Stock subject to each Seller Stock Option shall be equal to the number of

shares of Seller Common Stock subject to such Seller Stock Option immediately prior to the Effective Time multiplied by the Exchange Ratio and (iii) the per share exercise price under each Seller Stock Option shall be adjusted by dividing the per share exercise price under such Seller Stock Option by the Exchange Ratio and rounding down to the nearest cent; provided, however, that the terms of each Seller Stock Option shall, in accordance with its terms, be subject to further adjustment as appropriate to reflect any stock split, stock dividend, recapitalization or other similar transaction subsequent to the Effective Time. It is intended that the foregoing assumption

shall be undertaken in a manner that will not constitute a "modification" as defined in the IRC, as to any Seller Stock Option that is an "incentive stock option."

(b) At or prior to the Effective Time, Buyer shall take all corporate action necessary to authorize and reserve for issuance a sufficient number of shares of Buyer Common Stock for delivery upon exercise of Seller Stock Options to purchase Seller Common Stock assumed by it in accordance paragraph (a) above. As soon as practicable after the Effective Time, Buyer shall file a registration statement on Form S-3 or Form S-8, as the case may be (or any successor or other appropriate forms), or another appropriate form with respect to the shares of Buyer Common Stock subject to such options and shall use its best efforts to maintain the effectiveness of such registration statements (and maintain the current status of the prospectus contained therein) for so long as such options remain outstanding.

5.10. Press Releases. Except as may be required by law, Seller and Buyer shall consult and agree with each other as to the form and substance of any proposed press release relating to this Agreement or any of the transactions contemplated hereby.

5.11. State Takeover Statutes; Seller's Certificate of Incorporation. (a) Seller will take all steps necessary to exempt the transactions contemplated by this Agreement and any agreement contemplated hereby from, and if necessary challenge the validity of, any applicable state takeover law.

(b) Seller will take all steps necessary to exempt the transactions contemplated by this Agreement and any agreement contemplated hereby from the super-majority voting provisions of Sections 9 and 12 of Seller's Certificate of Incorporation.

5.12. D&O Indemnification. From and after the Effective Time, Buyer agrees to (i) indemnify and hold harmless

the past and present employees, agents, directors or officers

of Seller and its Subsidiaries for all acts or omissions occurring at or prior to the Effective Time to the same extent such persons are indemnified and held harmless (A) under their respective Articles of Incorporation or Bylaws of Seller and its Subsidiaries in the form in effect at the date of this Agreement, (B) by operation of law, or (C) by virtue of any contract, resolution or other agreement or document existing at the date of this Agreement, and such duties and obligations shall continue in full force and effect for so long as they would (but for the Merger) otherwise survive and continue in full force and effect, and (ii) assume the obligations of Seller with respect to directors and officers insurance under its prior acquisition agreements, which obligations are set forth on Schedule 5.12. Buyer will provide, or cause to be provided, for a period of not less than six years from the Effective Time, an insurance and indemnification policy that provides the officers and directors of Seller and its Subsidiaries immediately prior to the Effective Time coverage no less favorable than as currently provided by Buyer to its officers and directors.

5.13. Best Efforts. Each of Buyer and Seller undertakes and agrees to use its best efforts to cause the Merger (i) to qualify as a reorganization within the meaning of Section 368 of the IRC (including, if necessary, to take reasonable steps to restructure the transactions contemplated by this Agreement to so qualify) and (ii) to occur as soon as practicable. Each of Buyer and Seller agrees to not take any action that would materially impede or delay the consummation of the transactions contemplated by this Agreement or the ability of Buyer or Seller to obtain any approval of any Regulatory Authority required for the transactions contemplated by this Agreement or to perform its covenants and agreements under this Agreement.

5.14. Insurance. Seller shall, and Seller shall cause each of its Subsidiaries to, use its best efforts to maintain its existing insurance.

5.15. Conforming Entries. (a) Notwithstanding that Seller believes that Seller and the Seller Subsidiaries have established all reserves and taken all provisions for possible loan losses required by GAAP and applicable laws, rules and regulations, Seller recognizes that Buyer may have adopted different loan, accrual and reserve policies (including loan classifications and levels of reserves for possible loan losses). Subject to applicable laws, regulations and the requirements of Regulatory Authorities, from and after the date of this Agreement to the Effective Time, Seller and Buyer shall consult and

cooperate with each other with respect to conforming the loan, accrual and reserve policies of Seller and the Seller Subsidiaries to those policies of Buyer, as specified in each case in writing to Seller, based upon such consultation and as hereinafter provided.

(b) Subject to applicable laws, regulations and the requirements of Regulatory Authorities, in addition, from and after the date of this Agreement to the Effective Time, Seller and Buyer shall consult and cooperate with each other with respect to determining appropriate Seller accruals, reserves and charges to establish and take in respect of excess equipment write-off or write-down of various assets and other appropriate charges and accounting adjustments taking into account the parties' business plans following the Merger, as specified in each case in writing to Seller, based upon such consultation and as hereinafter provided.

(c) Subject to applicable laws, regulations and the requirements of Regulatory Authorities, Seller and Buyer shall consult and cooperate with each other with respect to determining, as specified in a written notice from Buyer to Seller, based upon such consultation and as hereinafter provided, the amount and the timing for recognizing for financial accounting purposes Seller's expenses of the Merger and the restructuring charges relating to or to be incurred in connection with the Merger.

(d) Subject to applicable laws, regulations and the requirements of Regulatory Authorities, Seller shall (i) establish and take such reserves and accruals at such time as Buyer shall reasonably request to conform Seller's loan, accrual and reserve policies to Buyer's policies, and (ii) establish and take such accruals, reserves and charges in order to implement such policies in respect of excess facilities and equipment capacity, severance costs, litigation matters, write-off or write-down of various assets and other appropriate accounting adjustments, and to recognize for financial accounting purposes such expenses of the Merger and restructuring charges related to or to be incurred in connection with the Merger, in each case at such times as are reasonably requested by Buyer;

provided, however, that on the date such reserves, accruals and charges are to be taken, Buyer shall certify to Seller that Buyer's representations and warranties are true and correct as of such date, that the approval conditions to its obligations contemplated by Section 6.01(b) have been satisfied or waived (except to the extent that any waiting period associated therewith may then have commenced but not expired) and that Buyer is otherwise in compliance with this Agreement; and provided, further, that Seller shall not be required to take any such action that is not consistent with GAAP and regulatory accounting principles.

(e) No reserves, accruals or charges taken in accordance with Section 5.15(d) above may be a basis to assert a violation of a breach of a representation, warranty or covenant of Seller herein.

5.16. Environmental Reports. Seller shall cooperate with Buyer so that Buyer may as soon as reasonably practicable obtain, at Buyer's expense, a report of a phase one environmental investigation on all real property owned, leased or operated by Seller or any of the Seller Subsidiaries as of the date hereof (but excluding Brio or Brio related properties, "other real estate owned," property held in trust or in a fiduciary capacity and space in retail or similar establishments leased by Seller or any of the Seller Subsidiaries for automatic teller machines or bank branch facilities where the space leased comprises less than 20% of the total space leased to all tenants of such property) and within ten (10) days after the acquisition or lease of any real property acquired or leased by Seller or any of the Seller Subsidiaries after the date hereof (but excluding space in retail and similar establishments leased by Seller or any of the Seller Subsidiaries for automatic teller machines or bank branch facilities where the space leased comprises less than 20% of the total space leased to all tenants of such property). If advisable in light of the phase one report with respect to any parcel of real property referred to above, in the reasonable opinion of Buyer, Seller shall also cooperate with Buyer so that Buyer may obtain, at Buyer's expense, a phase two investigation report on such

designated parcels. Buyer shall have fifteen (15) business days from the receipt of any such phase two investigation report to notify Seller of any dissatisfaction with the contents of such report. The after-tax costs (based on the highest federal marginal tax rate) of all remedial or other corrective actions or measures with regard to the real properties referred to above required by applicable law up to and including $6.5 million in the aggregate shall be paid by Buyer. Such after-tax costs of remedial or other corrective actions or measures with regard to such real properties so required which exceed $6.5 million shall be the responsibility of Seller and shall be deducted from the consideration to be paid by Buyer pursuant to this Merger Agreement; provided that in the event such after-tax costs exceed $30,000,000 Seller shall have the right pursuant to Section 7.01 (f) hereof to terminate this Agreement. Any costs associated with the Brio property or Brio related properties are assumed in the transaction and are not part of the subject matter of this Section 5.16.

5.17. Seller Securities. Subject to Buyer's certification to Seller that Buyer's representations and warranties are true and correct as of such date, that the approval conditions to its obligations contemplated by Section 6.01(b) have been satisfied or waived (except to the extent that any waiting period associated therewith may then have commenced but not expired) and that Buyer is otherwise in compliance with this Agreement, Seller shall call for redemption at the earliest practicable date permitted pursuant to the related certificate of designation all issued and outstanding shares of Seller Preferred Stock. Seller shall use its reasonable best efforts, subject to prudent business practices, to acquire up to 6,973,380 shares of Seller Common Stock in open-market transactions consummated prior to the Effective Time, and subject to compliance with applicable securities laws and regulations, at a cost per share in each transaction of not more than $22.00 per share.

ARTICLE VI

6.01. Conditions to Each Party's Obligation To Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following conditions:

(a) This Agreement shall have received the requisite approval of stockholders of Seller.

(b) All requisite approvals of this Agreement and the transactions contemplated hereby shall have been received from the Board and any other Regulatory Authority.

(c) The Registration Statement shall have been declared effective and shall not be subject to a stop order or any threatened stop order.

(d) Neither Seller nor Buyer shall be subject to any order, decree or injunction, and there shall be no pending or threatened order, decree or injunction, of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of any of the Transactions.

(e) There shall be no legislative, statutory or regulatory action (whether federal or state) pending which prohibits or threatens to prohibit consummation of the Transactions or which otherwise materially adversely affects the Transactions.

(f) Each of Buyer and Seller shall have received, from counsel reasonably satisfactory to it, an opinion reasonably satisfactory in form and substance to it to the effect that the Merger will constitute a reorganization within the meaning of Section 368 of the IRC and that no gain or loss will be recognized by the stockholders of

Seller to the extent they receive Buyer Common Stock solely in exchange for shares of Seller Common Stock.

6.02. Conditions to Obligations of Seller To Effect

the Merger. The obligations of Seller to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in Article III of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time (as though made on and as of the Effective Time except (i) to the extent such representations and warranties are by their express provisions made as of a specified date or period and (ii) for the effect of transactions contemplated by this Agreement) and Seller shall have received a certificate of the chairman or vice chairman of Buyer to that effect.

(b) Performance of Obligations. Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Effective Time, and Seller shall have received a certificate of the chairman or vice chairman of Buyer to that effect.

6.03. Conditions to Obligations of Buyer To Effect the Merger. The obligations of Buyer to effect the Merger shall be subject to the fulfillment or waiver at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Seller set forth in Article II of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time (as though made on and as of the Effective Time except (i) to the extent such representations and warranties are by their express provisions made as of a specific date or period and (ii) for the effect of transactions contemplated by this Agreement) and Buyer shall have received a certificate of the chairman of Seller and a certificate of the president and chief executive officer of Seller to that effect.

(b) Performance of Obligations. Seller shall have performed in all material respects all obligations required to be performed by it under this Agreement prior to the Effective Time, and Buyer shall have received a certificate of the chairman of Seller and a certificate of

the president and chief executive officer of Seller to that effect.

(c) All shares of Seller Preferred Stock shall have been either converted into shares of Seller Common Stock or redeemed, in each case in accordance with the terms of the related certificate of designation.

ARTICLE VII

TERMINATION, AMENDMENT AND WAIVER

7.01. Termination. This Agreement may be terminated at any time prior to the Effective Time, whether before or after any requisite stockholder approval:

(a) by mutual consent by the Executive Committee of the Board of Directors of Buyer and the Board of Directors of Seller;

(b) by the Executive Committee of the Board of Directors of Buyer or the Board of Directors of Seller at any time after the date that is twelve months after the date of this Agreement if the Merger shall not theretofore have been consummated (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein);

(c) by the Executive Committee of the Board of Directors of Buyer or the Board of Directors of Seller if (i) the Board has denied approval of the Merger and such denial has become final and nonappealable or (ii) stockholders of Seller shall not have approved this Agreement at the Meeting following a favorable recommendation of Seller's Board of Directors;

(d) by the Executive Committee of the Board of Directors of Buyer in the event of a material breach by Seller of any representation, warranty, covenant or other agreement contained in this Agreement, which breach is not cured within 30 days after written notice thereof to Seller by Buyer;

(e) by the Board of Directors of Seller in the event

of a material breach by Buyer of any representation, warranty, covenant or other agreement contained in this Agreement, which breach is not cured within 30 days after written notice thereof is given to Buyer by Seller; or

(f) by the Board of Directors of Seller pursuant to and in accordance with the provisions of the last sentence of Section 5.16.

7.02. Effect of Termination. In the event of termination of this Agreement as provided in Sections 7.01(a) through 7.01(c) and Section 7.01(f) above, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of Buyer or Seller or their respective officers or directors except as set forth in the second sentence of Section 5.01 and in Section 5.06.

7.03. Amendment. This Agreement and the Schedules hereto may be amended by the parties hereto, by action taken by or on behalf of their respective Boards of Directors, at any time before or after approval of this Agreement by the stockholders of Seller; provided, however, that after any such approval by the stockholders of Seller no such modification shall alter or change the amount or kind of consideration to be received by holders of Seller Common Stock as provided in this Agreement. This Agreement may not be amended except by an instrument in writing signed on behalf of each of Buyer and Seller.

7.04. Severability. Any term, provision, covenant or restriction contained in this Agreement held by a court or a Regulatory Authority of competent jurisdiction or the Board to be invalid, void or unenforceable, shall be ineffective to the extent of such invalidity, voidness or unenforceability, but neither the remaining terms, provisions, covenants or restrictions contained in this Agreement nor the validity or enforceability thereof in any other jurisdiction shall be affected or impaired thereby. Any term, provision, covenant or restriction contained in this Agreement that is so found to be so broad as

to be unenforceable shall be interpreted to be as broad as is enforceable.

7.05. Waiver. Any term, condition or provision of this Agreement may be waived in writing at any time by the party which is, or whose stockholders are, entitled to the benefits thereof.

ARTICLE VIII

GENERAL PROVISIONS

8.01. Non-Survival of Representations, Warranties and Agreements. No investigation by the parties hereto made heretofore or hereafter shall affect the representations and warranties of the parties which are contained herein and each

such representation and warranty shall survive such investigation. Except as set forth below in this Section 8.01, all representations, warranties and agreements in this Agreement of Buyer and Seller or in any instrument delivered by Buyer or Seller pursuant to or in connection with this Agreement shall expire at the Effective Time or upon termination of this Agreement in accordance with its terms or, in the case of any other such instrument, in accordance with the terms of such instrument. In the event of consummation of the Merger, the agreements contained in or referred to in Sections 5.02(b), 5.07, 5.08, 5.09 and 5.12 shall survive the Effective Time. In the event of termination of this Agreement in accordance with its terms, the agreements contained in or referred to in the second sentence of Section 5.01, Section 5.06 and Section 7.02 shall survive such termination.

8.02. Notices. All notices and other communications hereunder shall be in writing and shall be deemed to be duly received (i) on the date given if delivered personally or (ii) upon confirmation of receipt, if by facsimile transmission or (iii) on the date received if mailed by registered or certified mail (return receipt requested), or (iv) on the business date after being delivered to a reputable overnight delivery service, if by such service, to the parties at the following ad-

dresses (or at such other address for a party as shall be specified by like notice):

(i) if to Buyer:

Mercantile Bancorporation Inc.
Mercantile Tower
P.O. Box 524
St. Louis, Missouri 63166-0524
Attention: John W. Rowe
Executive Vice President

Copies to:

Jon W. Bilstrom, Esq.
General Counsel
Mercantile Bancorporation Inc.
Mercantile Tower
P.O. Box 524
St. Louis, Missouri 63166-0524

and

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Edward D. Herlihy, Esq.
Telecopy: (212) 403-2000

(ii) if to Seller:

Roosevelt Financial Group, Inc.
900 Roosevelt Parkway
Chesterfield, Missouri 63017

Attention: Stanley Bradshaw, President
and Chief Executive Officer

Copies to:

Silver, Freedman & Taff, L.L.P.
1100 New York Avenue, N.W.
Seventh Floor
Washington, D.C. 20005
Attention: Barry P. Taff, P.C.
Christopher R. Kelly, P.C.
Telecopy: (202) 682-0354

8.03. Miscellaneous. This Agreement (including the Schedules and other written documents referred to herein or provided hereunder) (i) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof, including any confidentiality agreement between the parties hereto, (ii) except for the provisions of Section 5.08 and 5.12, is not intended to confer upon any person not a party hereto any rights or remedies hereunder, (iii) shall not be assigned by operation of law or otherwise and (iv) shall be governed in all respects by the laws of the State of Missouri, except as otherwise specifically provided herein or required by the DGCL. Nothing in this Agreement shall be construed to require any party (or any subsidiary or affiliate of any party) to take any action or fail to take any action in violation of applicable law, rule or regulation. This Agreement may be executed in counterparts which together shall constitute a single agreement.

IN WITNESS WHEREOF, Buyer and Seller have caused this Agreement to be signed and, by such signature, acknowledged by their respective officers thereunto duly authorized, and such signatures to be attested to by their respective officers

thereunto duly authorized, all as of the date first written above.

Attest: MERCANTILE BANCORPORATION INC.

/s/ John W. Rowe

Name: John W. Rowe

By: /s/ Thomas H. Jacobsen

Name: Thomas H. Jacobsen
Title: Chairman, President and Chief Executive Officer

Attest: ROOSEVELT FINANCIAL GROUP, INC.

/s/ Gary W. Douglass

Name: Gary W. Douglass
Title: Executive Vice President and Chief Financial Officer

By: /s/ Stanley S. Bradshaw

Name: Stanley S. Bradshaw
Title: President and Chief Executive Officer

EXHIBIT 2.2

STOCK OPTION AGREEMENT

STOCK OPTION AGREEMENT ("Option Agreement") dated December 22, 1996, between MERCANTILE BANCORPORATION INC. ("Buyer"), a Missouri corporation registered as a bank holding company under the Bank Holding Company Act of 1956, as amended (the "Holding Company Act") and as a savings and loan holding company under the Home Owners' Loan Act, as amended ("HOLA"), and Roosevelt Financial Group, Inc. ("Seller"), a Delaware corporation registered as a unitary savings and loan holding company under HOLA and as a bank holding company under the Holding Company Act.

W I T N E S S E T H:

WHEREAS, the Executive Committee of the Board of Directors of Buyer and the Board of Directors of Seller have approved an Agreement and Plan of Reorganization dated as of even date herewith (the "Merger Agreement") providing for the merger of Seller with and into a wholly owned subsidiary of Buyer;

WHEREAS, as a condition to Buyer's entering into the

Merger Agreement, Buyer has required that Seller agree, and Seller has agreed, to grant to Buyer the option set forth herein to purchase authorized but unissued shares of Seller Common Stock;

NOW, THEREFORE, in consideration of the premises herein contained, the parties agree as follows:

1. Definitions.

Capitalized terms used but not defined herein shall have the same meanings as in the Merger Agreement.

2. Grant of Option.

Subject to the terms and conditions set forth herein, Seller hereby grants to Buyer an option (the "Option") to purchase up to 8,785,429 authorized and unissued shares of Seller Common Stock at a price of $18.125 per share (the "Purchase Price") payable in cash as provided in Section 4 hereof.

3. Exercise of Option.

(a) Buyer may exercise the Option, in whole or in part, at any time or from time to time if a Purchase Event (as defined below) shall have occurred; provided, however, that

(i) to the extent the Option shall not have been exercised, it shall terminate and be of no further force and effect upon the earliest to occur of (i) the Effective Time of the Merger, (ii) the termination of the Merger Agreement in accordance with Sections 7.01(e), 7.01(f) or 7.01(a) through 7.01(c) thereof, and (iii) three years following the termination of the Merger Agreement in accordance with Section 7.01(d) thereof, provided

that if such termination follows an Extension Event (as defined below), the Option shall not terminate until the date that is 12 months following such termination; (ii) if the Option cannot be exercised on such day because of any injunction, order or similar restraint issued by a court of competent jurisdiction, the Option shall expire on the 30th business day after such injunction, order or restraint shall have been dissolved or when such injunction, order or restraint shall have become permanent and no longer subject to appeal, as the case may be; and (iii) that any such exercise shall be subject to compliance with applicable law, including the Holding Company Act.

(b) As used herein, a "Purchase Event" shall mean

any of the following events:

(i) Seller or any of its Subsidiaries, without having received prior written consent from Buyer, shall have entered into, authorized, recommended, proposed or publicly announced its intention to enter into, authorize, recommend, or propose, an agreement, arrangement or understanding with any person (other than Buyer or any of its Subsidiaries) to (A) effect a merger or consolidation or similar transaction involving Seller or any of its Subsidiaries (other than internal mergers, reorganizing actions, consolidations or dissolutions involving only existing Subsidiaries of Seller), (B) purchase, lease or otherwise

acquire 15% or more of the assets of Seller or any of its Subsidiaries or (C) purchase or otherwise acquire (including by way of merger, consolidation, share exchange or similar transaction) Beneficial Ownership of securities representing 10% or more of the voting power of Seller or any of its Subsidiaries;

(ii) any person (other than Buyer or any Subsidiary

of Buyer or any person acting in concert with Buyer, or Seller or any Subsidiary of Seller in a fiduciary capacity) shall have acquired Beneficial Ownership or the right to acquire Beneficial Ownership of 10% or more of the voting power of Seller; or

(iii) Seller's Board of Directors shall have withdrawn or modified in a manner adverse to Buyer the recommendation of Seller's Board of Directors with respect to the Merger Agreement, in each case after an Extension Event; or

(iv) the holders of Seller Common Stock shall not have approved the Merger Agreement at the Meeting, or such Meeting shall not have been held or shall have been cancelled prior to termination of the Merger Agreement in accordance with its terms, in each case after an Extension Event.

(c) As used herein, the term "Extension Event" shall mean any of the following events:

(i) a Purchase Event of the type specified in clauses (b)(i) and (b)(ii) above;

(ii) any person (other than Buyer or any of its Subsidiaries) shall have "commenced" (as such term is defined in Rule 14d-2 under the Exchange Act), or shall have filed a registration statement under the Securities Act with respect to, a tender offer or exchange offer to purchase shares of Seller Common Stock such that, upon consummation of such offer, such person would have Beneficial Ownership (as defined below) or the right to acquire Beneficial Ownership of 10% or more of the voting power of Seller; or,

(iii) any person (other than Buyer or any Subsidiary of Buyer, or Seller or any Subsidiary of Seller in a fiduciary capacity) shall have publicly announced its willingness, or shall have publicly announced a proposal, or publicly disclosed an intention to make a proposal, (x) to make an offer described in clause (ii) above or (y) to engage in a transaction described in clause (i) above.

(d) As used herein, the terms "Beneficial Ownership" and "Beneficially Own" shall have the meanings ascribed to them in Rule 13d-3 under the Exchange Act.

(e) In the event Buyer wishes to exercise the Option, it shall deliver to Seller a written notice (the date of which being herein referred to as the "Notice Date") specifying (i) the total number of shares it intends to purchase pursuant to such exercise and (ii) a place and date not earlier than three business days nor later than 60 calendar days from the Notice Date for the closing of such purchase (the "Closing Date").

4. Payment and Delivery of Certificates.

(a) At the closing referred to in Section 3 hereof, Buyer shall pay to Seller the aggregate purchase price for the shares of Seller Common Stock purchased pursuant to the exercise of the Option in immediately available funds by wire transfer to a bank account designated by Seller.

(b) At such closing, simultaneously with the delivery of cash as provided in Section 4(a), Seller shall deliver to Buyer a certificate or certificates representing the number of shares of Seller Common Stock purchased by Buyer, registered in the name of Buyer or a nominee designated in writing by Buyer, and Buyer shall deliver to Seller a letter agreeing that Buyer shall not offer to sell, pledge or otherwise dispose of

such shares in violation of applicable law or the provisions of this Option Agreement.

(c) If at the time of issuance of any Seller Common Stock pursuant to any exercise of the Option, Seller shall have issued any share purchase rights or similar securities to holders of Seller Common Stock, then each such share of Seller Common Stock shall also represent rights with terms substantially the same as and at least as favorable to Buyer as those issued to other holders of Seller Common Stock.

(d) Certificates for Seller Common Stock delivered at any closing hereunder shall be endorsed with a restrictive legend which shall read substantially as follows:

> The transfer of the shares represented by this certificate is subject to certain provisions of an agreement between the registered holder hereof and _____, a copy of which is on file at the principal office of _____, and to resale restrictions arising under the Securities Act of 1933 and any applicable state securities laws. A copy of such agreement will be provided to the holder hereof without charge upon receipt by _____ of a written request therefor.

It is understood and agreed that the above legend shall be re-

moved by delivery of substitute certificate(s) without such legend if Buyer shall have delivered to Seller an opinion of counsel, in form and substance reasonably satisfactory to Seller and its counsel, to the effect that such legend is not required for purposes of the Securities Act and any applicable state securities laws.

5. Authorization, etc.

(a) Seller hereby represents and warrants to Buyer that:

(i) Seller has full corporate authority to execute and deliver this Option Agreement and, subject to Section 11(i), to consummate the transactions contemplated hereby;

(ii) such execution, delivery and consummation have been authorized by the Board of Directors of Seller, and no other corporate proceedings are necessary therefor;

(iii) this Option Agreement has been duly and validly executed and delivered and represents a valid and legally

binding obligation of Seller, enforceable against Seller in accordance with its terms; and

(iv) Seller has taken all necessary corporate action to authorize and reserve and, subject to Section 11(i), permit it to issue and, at all times from the date hereof through the date of the exercise in full or the expiration or termination of the Option, shall have reserved for issuance upon exercise of the Option, 8,785,429 shares of Seller Common Stock, all of which, upon issuance pursuant hereto, shall be duly authorized, validly issued, fully paid and nonassessable, and shall be delivered free and clear of all claims, liens, encumbrances, restrictions

(other than federal and state securities restrictions) and security interests and not subject to any preemptive rights.

(b) Buyer hereby represents and warrants to Seller that:

(i) Buyer has full corporate authority to execute and deliver this Option Agreement and, subject to Section

11(i), to consummate the transactions contemplated hereby;

(ii) such execution, delivery and consummation have been authorized by all requisite corporate action by Buyer, and no other corporate proceedings are necessary therefor;

(iii) this Option Agreement has been duly and validly executed and delivered and represents a valid and legally binding obligation of Buyer, enforceable against Buyer in accordance with its terms; and

(iv) any Seller Common Stock or other securities acquired by Buyer upon exercise of the Option will not be taken with a view to the public distribution thereof and will not be transferred or otherwise disposed of except in compliance with the Securities Act.

6. Adjustment upon Changes in Capitalization.

In the event of any change in Seller Common Stock by reason of stock dividends, split-ups, recapitalizations or the

like, the type and number of shares subject to the Option, and the purchase price per share, as the case may be, shall be adjusted appropriately. In the event that any additional shares of Seller Common Stock are issued after the date of this Option Agreement (other than pursuant to an event described in the preceding sentence or pursuant to this Option Agreement), the number of shares of Seller Common Stock subject to the Option shall be adjusted so that, after such issuance, it equals at least 19.9% of the number of shares of Seller Common Stock then issued and outstanding (without considering any shares subject to or issued pursuant to the Option).

7. Repurchase.

(a) Subject to Section 11(i), at the request of Buyer at any time commencing upon the occurrence of a Purchase Event and ending 13 months immediately thereafter (the "Repurchase Period"), Seller (or any successor entity thereof) shall repurchase the Option from Buyer together with all (but not less than all, subject to Section 10) shares of Seller Common Stock purchased by Buyer pursuant thereto with respect to which Buyer then has Beneficial Ownership, at a price (per share, the "Per Share Repurchase Price") equal to the sum of:

(i) The exercise price paid by Buyer for any shares of Seller Common Stock acquired pursuant to the Option;

(ii) The difference between (A) the "Market/Tender Offer Price" for shares of Seller Common Stock (defined as the higher of (x) the highest price per share at which a tender or exchange offer has been made for shares of Seller Common Stock or (y) the highest closing mean of the "bid" and the "ask" price per share of Seller Common Stock reported by NASDAQ, the automated quotation system of the National Association of Securities Dealers, Inc., for any day within that portion of the Repurchase Period which precedes the date Buyer gives notice of the required re-purchase under this Section 7) and (B) the exercise price as determined pursuant to Section 2 hereof (subject to ad-justment as provided in Section 6), multiplied by the num-ber of shares of Seller Common Stock with respect to which the Option has not been exercised, but only if the Market/ Tender Offer Price is greater than such exercise price;

(iii) The difference between the Market/Tender Offer Price and the exercise price paid by Buyer for any shares of Seller Common Stock purchased pursuant to the exercise of the Option, multiplied by the number of shares so pur-

chased, but only if the Market/Tender Offer Price is greater than such exercise price; and

(iv) Buyer's reasonable out-of-pocket expenses incurred in connection with the transactions contemplated by the Merger Agreement, including, without limitation, legal, accounting and investment banking fees.

(b) In the event Buyer exercises its rights under this Section 7, Seller shall, within 10 business days thereafter, pay the required amount to Buyer by wire transfer of immediately available funds to an account designated by Buyer and Buyer shall surrender to Seller the Option and the certificates evidencing the shares of Seller Common Stock purchased thereunder with respect to which Buyer then has Beneficial Ownership, and Buyer shall warrant that it has sole record and Beneficial Ownership of such shares and that the same are free and clear of all liens, claims, charges, restrictions and encumbrances of any kind whatsoever.

(c) In determining the Market/Tender Offer Price, the value of any consideration other than cash shall be deter-

mined by an independent nationally recognized investment banking firm selected by Buyer and reasonably acceptable to Seller.

8. Repurchase at Option of Seller and First Refusal.

(a) Except to the extent that Buyer shall have previously exercised its rights under Section 7, at the request of

Seller during the six-month period commencing 13 months following the first occurrence of a Purchase Event, Seller may repurchase from Buyer, and Buyer shall sell to Seller, all (but not less than all, subject to Section 10) of the Seller Common Stock acquired by Buyer pursuant hereto and with respect to which Buyer has Beneficial Ownership at the time of such repurchase at a price per share equal to the greater of (i) 110% of the Market/Tender Offer Price per share, (ii) the Per Share Repurchase Price or (iii) the sum of (A) the aggregate Purchase Price of the shares so repurchased plus (B) interest on the aggregate Purchase Price paid for the shares so repurchased from the date of purchase to the date of repurchase at the highest rate of interest announced by Buyer as its prime or base lending or reference rate during such period, less any

dividends received on the shares so repurchased, plus (C) Buyer's reasonable out-of-pocket expenses incurred in connection with the transactions contemplated by the Merger Agreement, including, without limitation, legal, accounting and investment banking fees. Any repurchase under this Section 8(a) shall be consummated in accordance with Section 7(b).

(b) If, at any time after the occurrence of a Purchase Event and prior to the earlier of (i) the expiration of 18 months immediately following such Purchase Event or (ii) the expiration or termination of the Option, Buyer shall desire to sell, assign, transfer or otherwise dispose of the Option or

all or any of the shares of Seller Common Stock acquired by it pursuant to the Option, it shall give Seller written notice of the proposed transaction (an "Offeror's Notice"), identifying the proposed transferee, and setting forth the terms of the proposed transaction. An Offeror's Notice shall be deemed an offer by Buyer to Seller, which may be accepted within 10 business days of the receipt of such Offeror's Notice, on the same terms and conditions and at the same price at which Buyer is proposing to transfer the Option or such shares to a third

party. The purchase of the Option or any such shares by Seller shall be closed within 10 business days of the date of the acceptance of the offer and the purchase price shall be paid to Buyer by wire transfer of immediately available funds to an account designated by Buyer. In the event of the failure or refusal of Seller to purchase the Option or all the shares covered by the Offeror's Notice or if the Board or any other Regulatory Authority disapproves Seller's proposed purchase of the Option or such shares, Buyer may, within 60 days from the date of the Offeror's Notice, sell all, but not less than all, of the Option or such shares to such third party at no less than the price specified and on terms no more favorable to the purchaser than those set forth in the Offeror's Notice. The requirements of this Section 8(b) shall not apply to (i) any disposition as a result of which the proposed transferee would Beneficially Own not more than 2% of the voting power of Seller

or (ii) any disposition of Seller Common Stock by a person to whom Buyer has sold shares of Seller Common Stock issued upon exercise of the Option.

9. Registration Rights.

At any time after a Purchase Event, Seller shall, if requested by any holder or beneficial owner of shares of Seller Common Stock issued upon exercise of the Option (except any beneficial holder who acquired all of such holder's shares in a transaction exempt from the requirements of Section 8(b) by reason of clause (i) thereof) (each a "Holder"), as expeditiously as possible file a registration statement on a form for general use under the Securities Act if necessary in order to permit the sale or other disposition of the shares of Seller Common Stock that have been acquired upon exercise of the Option in accordance with the intended method of sale or other disposition requested by any such Holder (it being understood and agreed that any such sale or other disposition shall be effected on a widely distributed basis so that, upon consummation thereof, no purchaser or transferee shall Beneficially Own more than 2% of the shares of Seller Common Stock then outstanding). Each such Holder shall provide all information reasonably requested by Seller for inclusion in any registration statement to be filed hereunder. Seller shall use its best efforts to cause such registration statement first to become effective and

then to remain effective for such period not in excess of 180 days from the day such registration statement first becomes effective as may be reasonably necessary to effect such sales or other dispositions. The registration effected under this Section 9 shall be at Seller's expense except for underwriting commissions and the fees and disbursements of such Holders' counsel attributable to the registration of such Seller Common Stock. In no event shall Seller be required to effect more than one registration hereunder. The filing of the registration statement hereunder may be delayed for such period of time as may reasonably be required to facilitate any public distribution by Seller of Seller Common Stock or if a special audit of Seller would otherwise be required in connection therewith. If requested by any such Holder in connection with such registration, Seller shall become a party to any underwriting agreement relating to the sale of such shares, but only to the extent of obligating itself in respect of representations, warranties, indemnities and other agreements customarily included in such underwriting agreements for parties similarly situated. Upon receiving any request for registration under this Section 9 from any Holder, Seller agrees to send a copy thereof to any other person known to Seller to be entitled to registration rights under this Section 9, in each case by promptly mailing the same, postage prepaid, to the address of record of the per-

sons entitled to receive such copies.

10. Severability.

Any term, provision, covenant or restriction contained in this Option Agreement held by a court or a Regulatory Authority of competent jurisdiction to be invalid, void or unenforceable, shall be ineffective to the extent of such invalidity, voidness or unenforceability, but neither the remaining terms, provisions, covenants or restrictions contained in this Option Agreement nor the validity or enforceability thereof in any other jurisdiction shall be affected or impaired thereby. Any term, provision, covenant or restriction contained in this Option Agreement that is so found to be so broad as to be unenforceable shall be interpreted to be as broad as is enforceable. If for any reason such court or Regulatory Authority determines that applicable law will not permit Buyer or any other person to acquire, or Seller to repurchase or purchase, the full number of shares of Seller Common Stock provided in Section 2 hereof (as adjusted pursuant to Section 6 hereof), it is the express intention of the parties hereto to allow Buyer or

such other person to acquire, or Seller to repurchase or purchase, such lesser number of shares as may be permissible, without any amendment or modification hereof.

11. Miscellaneous.

(a) Expenses. Each of the parties hereto shall pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own financial consultants, investment bankers, accountants and counsel, except as otherwise provided herein.

(b) Entire Agreement. Except as otherwise expressly provided herein, this Option Agreement and the Merger Agreement contain the entire agreement between the parties with respect to the transactions contemplated hereunder and supersedes all prior arrangements or understandings with respect thereto, written or oral.

(c) Successors; No Third Party Beneficiaries. The terms and conditions of this Option Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns. Nothing in this Option Agreement, expressed or implied, is intended to confer upon any party, other than the parties hereto, and their respective successors and assigns, any rights, remedies, obligations, or liabilities under or by reason of this Option Agreement, except as expressly provided herein.

(d) Assignment. Other than as provided in Sections 8 and 9 hereof, neither of the parties hereto may sell, transfer, assign or otherwise dispose of any of its rights or obligations under this Option Agreement or the Option created hereunder to any other person (whether by operation of law or otherwise), without the express written consent of the other party.

(e) Notices. All notices or other communications which are required or permitted hereunder shall be in writing

and sufficient if delivered in accordance with Section 8.02 of the Merger Agreement (which is incorporated herein by reference).

(f) Counterparts. This Option Agreement may be executed in counterparts, and each such counterpart shall be deemed to be an original instrument, but both such counterparts together shall constitute but one agreement.

(g) Specific Performance. The parties hereto agree that if for any reason Buyer or Seller shall have failed to perform its obligations under this Option Agreement, then either party hereto seeking to enforce this Option Agreement against such non-performing party shall be entitled to specific performance and injunctive and other equitable relief, and the parties hereto further agree to waive any requirement for the

securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief. This provision is without prejudice to any other rights that either party hereto may have against the other party hereto for any

failure to perform its obligations under this Option Agreement.

(h) Governing Law. This Option Agreement shall be governed by and construed in accordance with the laws of the State of Missouri applicable to agreements made and entirely to be performed within such state. Nothing in this Option Agreement shall be construed to require any party (or any subsidiary or affiliate of any party) to take any action or fail to take any action in violation of applicable law, rule or regulation.

(i) Regulatory Approvals; Section 16(b). If, in connection with (A) the exercise of the Option under Section 3 or a sale by Buyer to a third party under Section 8, (B) a repurchase by Seller under Section 7 or a repurchase or purchase by Seller under Section 8, prior notification to or approval of the Board or any other Regulatory Authority is required, then the required notice or application for approval shall be promptly filed and expeditiously processed and periods of time that otherwise would run pursuant to such Sections shall run instead from the date on which any such required notification period has expired or been terminated or such approval has been obtained, and in either event, any requisite waiting period

shall have passed. In the case of clause (A) of this subsection (i), such filing shall be made by Buyer, and in the case of clause (B) of this subsection (i), such filing shall be made by Seller, provided that each of Buyer and Seller shall use its best efforts to make all filings with, and to obtain consents of, all third parties and Regulatory Authorities necessary to the consummation of the transactions contemplated hereby, including without limitation applying to the Board under the Holding Company Act for approval to acquire the shares issuable hereunder. Periods of time that otherwise would run pursuant to Sections 3, 7 or 8 shall also be extended to the extent necessary to avoid liability under Section 16(b) of the Exchange Act.

(j) No Breach of Merger Agreement Authorized. Nothing contained in this Option Agreement shall be deemed to authorize Seller to issue any shares of Seller Common Stock in breach of, or otherwise breach any of, the provisions of the Merger Agreement.

(k) Waiver and Amendment. Any provision of this Agreement may be waived at any time by the party that is entitled to the benefits of such provision. This Option Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

IN WITNESS WHEREOF, each of the parties hereto has executed this Option Agreement as of the date first written above.

MERCANTILE BANCORPORATION INC.

By: /s/ Thomas H. Jacobsen

Name: Thomas H. Jacobsen
Title: Chairman, President and Chief Executive Officer

ROOSEVELT FINANCIAL GROUP, INC.

By: /s/ Gary W. Douglass

Name: Gary W. Douglass
Title: Executive Vice President and Chief Financial Officer

EXHIBIT 99

NEWS
RELEASE FOR IMMEDIATE RELEASE: DECEMBER 23, 1996

MERCANTILE
BANCORPORATION INC.
Mercantile Tower
PO. Box 524
St. Louis, MO
63166-0524

CONTACT: MERCANTILE BANCORPORATION INC.
CHERYL KARN DIANA YATES
PUBLIC AFFAIRS INVESTOR RELATIONS
(314) 425-8174 (314) 425-8237

ROOSEVELT FINANCIAL GROUP, INC.
GARY DOUGLASS
CHIEF FINANCIAL OFFICER
(314) 532-6394

NYSE SYMBOL: MTL
IN NEWSPAPER STOCK TABLES GENERALLY MERCBC OR MERCBCPMO

MERCANTILE BANCORPORATION INC. ANNOUNCES PLANS TO MERGE WITH ROOSEVELT FINANCIAL GROUP, INC.

ST. LOUIS--Mercantile Bancorporation Inc. (NYSE: MTL) and Roosevelt Financial Group, Inc. (NASDAQ:RFED) announced today that the organizations have signed a definitive merger agreement which will create the largest, locally managed

and independently owned financial services organization headquartered in the lower Midwest. Roosevelt, a $9 billion thrift holding company, is headquartered in St. Louis with 81 locations in Missouri, Kansas and Illinois.

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Mercantile/Roosevelt--First Add

Today's announcement closely follows Mercantile's previously announced merger with Mark Twain Bancshares, Inc. "Our shareholders will benefit from the powerful market position and complementary products of the Mercantile which emerges from these combinations. In addition, customers will benefit from a highly competitive, convenient, and exciting alternative for banking services," said Thomas H. Jacobsen, Mercantile's chairman, president and CEO.

"Our combination with Roosevelt will materially enhance our mix of strong retail, middle market lending and other specialty businesses. As the leading mortgage originator and servicer in Missouri, Mercantile will enter the top tier of mortgage providers nationwide," Jacobsen added.

From its 81 locations, Roosevelt serves 28 local markets. Currently, there are 42 offices in the St. Louis metro area, 10 in Kansas City, 1 in Pittsburg, Kansas and the remain-

ing in outstate Missouri. Roosevelt has relationships with more than 300,000 households, an active insurance and brokerage operation, and is the clear leader in mortgage origination and servicing in Missouri.

"This merger represents the culminating step in Roosevelt's growth and transformation since the early 1980s. We have consistently focused on providing quality service to our customers, and the combination with Mercantile will further enhance our product capabilities and growth prospects for our employees and shareholders, not only in St. Louis, but throughout the Midwest," said Stanley J. Bradshaw, chairman, president and CEO, Roosevelt Financial Group, Inc.

--more--

Mercantile/Roosevelt--Second Add

Based upon Mercantile's closing stock price on December 20, 1996, of $50.75, the transaction is valued at approximately $1.072 billion. Mercantile will deliver up to 13 million shares of common stock at an exchange ratio of .4211 shares of Mercantile common stock, or $22.00 in cash for each remaining share of Roosevelt common stock. The transaction is structured as a tax-free exchange for shareholders receiving stock, and will be accounted for as a purchase transaction. In

connection with the purchase, Mercantile plans to repurchase up to 7 million shares in open market transactions.

The acquisition positions Mercantile as the largest financial institution in Missouri with more than 23 percent of the state's deposits. Mercantile will become the largest bank in the St. Louis and Springfield markets, the second largest institution in Kansas City and will significantly strengthen its presence in a number of other major Missouri markets. The Mercantile which emerges as a result of all pending mergers, including Roosevelt, will be an organization with $30 billion in assets and a market cap in excess of $4 billion.

Following the completion of the merger, Stanley J. Bradshaw, chairman, president and CEO of Roosevelt Financial Group, Inc., will lead the combined mortgage operations and become a member of Mercantile's Management Executive Committee reporting to Thomas H. Jacobsen, Mercantile's chairman, president and CEO.

Plans call for the merger, which is subject to the approval of Roosevelt shareholders and all appropriate regulatory agencies, to be completed in mid-1997. The branch consolidation of the combined entities will occur in mid-1998.

--more--

Mercantile Bancorporation Inc., an $18.2 billion multi-bank holding company headquartered in St. Louis, operates banks in Missouri, Iowa, Kansas, Illinois and Arkansas. Mercantile currently has mergers pending with the $3.1 billion asset Mark Twain Bancshares, Inc., with offices in St. Louis, Springfield and Kansas City, and with Regional Bancshares Inc., in Madison County, Illinois. Mercantile's non-banking subsidiaries include companies providing brokerage services, asset-based lending, investment advisory services, leasing services and credit life insurance.

# # #

PRESS CONFERENCE: A press conference will be held for members of the news media at 10:30 a.m. today, December 23, at Mercantile Bancorporation Inc. headquarters, 14th floor, Seventh and Washington Streets. Parking is available in the Mercantile Garage, Washington Street entrance. Key executives of both Mercantile and Roosevelt will be on hand at the press conference to further discuss the merger and answer questions.