

**CERTIFICATE
AND
ARTICLES OF MERGER**

This Certificate and Articles of Merger, under and pursuant to which Pend Oreille Bank, an Idaho banking corporation, is to be merged with and into Mountain West Bank, an Idaho banking corporation, is filed pursuant to Section 26-905 of the Idaho Bank Act and Section 30-1-1105 of the Idaho Business Corporation Act:

1. Merging Corporations. The name and state of incorporation of each of the corporations is Mountain West Bank and Pend Oreille Bank, each an Idaho banking corporation.
2. Required Approvals. A Plan and Agreement of Merger among Glacier Bancorp, Inc. and Mountain West Bank and Pend Oreille Bancorp and Pend Oreille Bank, and the Bank Merger Agreement between Mountain West Bank and Pend Oreille Bank (collectively, the "Merger"), each dated as of April 24, 2003 (together, the "Merger Agreement"), has been approved, adopted, certified, executed and acknowledged by each of the respective corporations in accordance with Section 26-905 of the Idaho Bank Act and 30-1-1103 of the Idaho Business Corporation Act. The number of shares of Pend Oreille Bancorp outstanding and entitled to vote on the Merger was 197,275; 179,421 shares of Pend Oreille Bancorp common stock voted in favor of the Merger, and no shares of Pend Oreille Bancorp common stock voted against the Merger. The Sole Shareholder of Pend Oreille Bank voted in favor of the Merger. Certified resolutions of the respective boards of directors and shareholders are attached as Exhibit A.
3. Plan of Merger. A copy of the Merger Agreement is attached as Exhibit B.
4. Name of Surviving Corporation. The name of the surviving corporation shall be Mountain West Bank.
5. Articles of Incorporation. The Articles of Incorporation of the surviving corporation shall be the Articles of Incorporation of Mountain West Bank, without change.
6. Effective Time and Date. The Merger will be effective as of 6:00 p.m., Mountain Time, on July 15, 2003.

The undersigned certify, on behalf of Mountain West Bank and Pend Oreille Bank that the information set forth in this Certificate and Articles of Merger and the attached exhibits is true and correct in all respects.

EXECUTED as of this 15th day of July 2003.

MOUNTAIN WEST BANK, an Idaho banking corporation

By: _____

Jon W. Hippler, President and Chief Executive Officer

Attest: _____

Marissa Davenport, Assistant Secretary

PEND OREILLE BANK, an Idaho banking corporation

By: _____

Evelyn Meany, President and Chief Executive Officer

Attest: _____

Secretary

03 JUL 15 PM 1:31
SECRETARY OF STATE
STATE OF IDAHO

FILED EFFECTIVE

IDAHO SECRETARY OF STATE
07/15/2003 05:00
CK: 189484 CT: 79278 BH: 691143
1 @ 30.00 = 30.00 MERGER # 2

C129471

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AND
ARTICLES OF MERGER**

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2. Required Approvals. A Plan and Agreement of Merger among Glacier Bancorp, Inc. and Mountain West Bank and Pend Oreille Bancorp and Pend Oreille Bank, and the Bank Merger Agreement between Mountain West Bank and Pend Oreille Bank (collectively, the "Merger"), each dated as of April 24, 2003 (together, the "Merger Agreement"), has been approved, adopted, certified, executed and acknowledged by each of the respective corporations in accordance with Section 26-905 of the Idaho Bank Act and 30-1-1103 of the Idaho Business Corporation Act. The number of shares of Pend Oreille Bancorp outstanding and entitled to vote on the Merger was 197,275; 179,421 shares of Pend Oreille Bancorp common stock voted in favor of the Merger, and no shares of Pend Oreille Bancorp common stock voted against the Merger. The Sole Shareholder of Pend Oreille Bank voted in favor of the Merger. Certified resolutions of the respective boards of directors and shareholders are attached as Exhibit A.
3. Plan of Merger. A copy of the Merger Agreement is attached as Exhibit B.
4. Name of Surviving Corporation. The name of the surviving corporation shall be Mountain West Bank.
5. Articles of Incorporation. The Articles of Incorporation of the surviving corporation shall be the Articles of Incorporation of Mountain West Bank, without change.
6. Effective Time and Date. The Merger will be effective as of 6:00 p.m., Mountain Time, on July 15, 2003.

The undersigned certify, on behalf of Mountain West Bank and Pend Oreille Bank that the information set forth in this Certificate and Articles of Merger and the attached exhibits is true and correct in all respects.

EXECUTED as of this 15th day of July 2003.

MOUNTAIN WEST BANK, an Idaho banking corporation

By: _____
Jon W. Hippler, President and Chief Executive Officer

Attest: _____
Secretary

PEND OREILLE BANK, an Idaho banking corporation

By: _____
Evelyn Meany, President and Chief Executive Officer

Attest: _____
Asst. Secretary

2003 JUL 15 PM 1:31
SECRETARY OF STATE
STATE OF IDAHO

SECRETARY'S CERTIFICATE

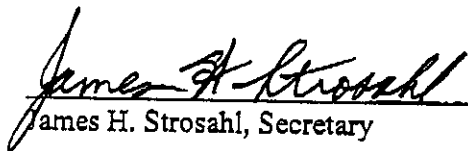
I certify that I am the Secretary of GLACIER BANCORP, INC., located in Kalispell, State of Montana ("Glacier"), and that I have been duly elected and am presently serving in that capacity in accordance with the Bylaws of Glacier.

I further certify that:

Attached as Exhibit A is a full, true and correct copy of resolutions passed and adopted by a majority of the Board of Directors of Glacier at a meeting of the Board duly held and convened on April 24, 2003.

The attached resolutions are in full force and effect and have not been revoked or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have affixed my signature as of this 7th day of May, 2003.


James H. Strosahl, Secretary

**RESOLUTIONS OF
THE BOARD OF DIRECTORS OF
GLACIER BANCORP, INC.**

(For Special Meeting of April 24, 2003)

RECITALS

- A. The Board of Directors ("Board") and Senior Management of Glacier Bancorp, Inc. ("Glacier"), together with the Board and management of Mountain West Bank ("Mountain West") have considered at length the possible acquisition of Pend Oreille Bancorp, a bank holding company incorporated in the State of Washington and headquartered in Sandpoint, Idaho ("Bancorp") and its subsidiary Pend Oreille Bank, an Idaho State-chartered bank ("Pend Oreille") (the "Acquisition").
- B. The Board previously authorized management to prepare and negotiate (with the advice of its outside advisors) a definitive agreement, and any related documents, with Bancorp, consistent with the Term Sheet developed between Glacier and Bancorp for presentation to the respective Boards for formal consideration.
- C. Each Director has had an opportunity to review, in advance of the meeting, a detailed package of information concerning the proposed transaction, including a draft of the Plan and Agreement of Merger to be dated on or about April 24, 2003 among Glacier, Mountain West, Bancorp and Pend Oreille (the "Merger Agreement"), a draft of the Bank Merger Agreement to be dated on or about April 24, 2003 between Mountain West and Pend Oreille (collectively the "Agreements"), related summary memos with respect to the Agreements prepared by legal counsel and other documents and memoranda relating to the Acquisition.
- D. The Board has reviewed and discussed the proposed definitive Agreements and related agreements and financial projections and has determined that it is in the best interests of Glacier to proceed with the proposed Acquisition.

RESOLUTIONS

[APPROVAL OF MERGER AGREEMENTS AND RELATED AGREEMENTS]

- 1. The Merger Agreement, substantially in the form presented to and discussed at this meeting, and the transactions it contemplates in which shares of and options for common stock of Bancorp will be exchanged for cash, in the aggregate amount of \$10,400,000, are approved, subject to approval of a definitive agreement by the Board of Directors of Mountain West.

2. The Bank Merger Agreement, substantially in the form presented to and discussed at this meeting, and the transaction it contemplates in which Pend Oreille will merge with and into Mountain West, is approved, subject to approval of a definitive agreement by the Board of Directors of Mountain West.
3. The proper officers of Glacier (the "Proper Officers") are authorized to make such non-material amendments, deletions or additions to the Agreements as are acceptable to management with the advice of legal counsel.
4. The Proper Officers of Glacier are authorized to execute and deliver the Agreements, each substantially in the form presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers with the advice of legal counsel.

[EMPLOYMENT AGREEMENTS]

5. The Employment Agreement between Mountain West and Evelyn A. Meany, and ratified by Glacier, substantially in the form presented to and discussed at this meeting, is approved.
6. The Employment Agreement between Mountain West and Wendy Regan, and ratified by Glacier, substantially in the form presented to and discussed at this meeting, is approved.
7. The Proper Officers are authorized and directed to execute the Employment Agreements, substantially in the forms presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers after review by legal counsel.

[NON COMPETITION AGREEMENTS]

8. The form of Non Competition Agreement between the Bancorp, Pend Oreille and its directors and Glacier and Mountain West, as attached to the Agreement, is approved.
9. The Proper Officers, or any one of them, are authorized and directed to execute such agreement substantially in the form presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers after review by legal counsel.

[AMENDMENT TO STOCK OPTION PLAN]

10. Glacier's Amended and Restated 1995 Employee Stock Option Plan ("Plan") currently requires that upon termination of employment, other than by death, disability, fraud or willful misconduct, all stock options must be exercised the earlier of three months from the date of termination or the expiration date of the option agreement. The Board approves amending Section 6(j) (1) of the Plan to read as follows:

(1) If an Optionee's status as an Employee is terminated at any time for any reason other than death or disability (as provided in Sections 6(h) and 6(i)), or fraud or willful misconduct (as provided below), then all Options held shall terminate on the earlier of (a) the same day of the third month after the date of termination of status as an Employee, or (b) the expiration date specified in the Option Agreement, except in the case of a nonqualified stock option, in which case the termination date of the option may be extended to a date determined by the Board of Directors.

[PREPARATION OF APPLICATIONS]

11. The Proper Officers are authorized and directed to prepare and file, with the assistance of legal counsel and independent accountants, all necessary applications, notices, waivers, agreements and other related documents, as necessary, with the appropriate Federal and state regulatory agencies having authority over the proposed transaction, as such officers, on the advice of counsel, deem necessary or appropriate to comply with applicable statutes, rules and regulations.

[MISCELLANEOUS]

12. For purposes of these Resolutions, the Proper Officers of Glacier are Michael J. Blodnick - President and Chief Executive Officer and James H. Strosahl - Executive Vice President, Chief Financial Officer, Secretary and Treasurer, each with full power to act alone.
13. The Proper Officers, or any of them acting alone, are authorized and directed to take such other actions as may be necessary, advisable, convenient, or proper to carry out the intent of these Resolutions, to fully perform the provisions of the Agreements (including the execution of any necessary or appropriate consents), and to comply with all applicable laws, rules and regulations.

SECRETARY'S CERTIFICATE

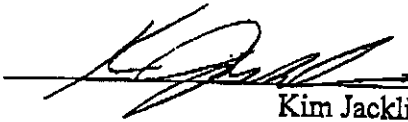
I certify that I am the Secretary of MOUNTAIN WEST BANK located in Coeur d'Alene, State of Idaho ("Mountain West"), and that I have been duly elected and am presently serving in that capacity in accordance with the Bylaws of Mountain West.

I further certify that:

Attached as Exhibit A is a full, true and correct copy of resolutions passed and adopted by a majority of the Board of Directors of Mountain West at a meeting of the Board duly held and convened on April 24, 2003.

The attached resolutions are in full force and effect and have not been revoked or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have affixed my signature as of this 24 day of May , 2003.



Secretary Kim Jacklin,

**RESOLUTIONS OF
THE BOARD OF DIRECTORS OF
MOUNTAIN WEST BANK**

(For Special Meeting of April 24, 2003)

RECITALS

- A. The Board of Directors ("Board") and Senior Management of Mountain West Bank ("Mountain West"), together with the Board and management of Glacier Bancorp, Inc. ("Glacier") have considered at length the possible acquisition of Pend Oreille Bancorp, a bank holding company incorporated in the State of Washington and headquartered in Sandpoint, Idaho ("Bancorp") and its subsidiary Pend Oreille Bank, an Idaho State-chartered bank ("Pend Oreille") (the "Acquisition").
- B. The Board previously authorized management to prepare and negotiate (with the advice of its outside advisors) a definitive agreement, and any related documents, with Bancorp, consistent with the Term Sheet developed between Glacier and Bancorp for presentation to the respective Boards for formal consideration.
- C. Each Director has had an opportunity to review, in advance of the meeting, a detailed package of information concerning the proposed transaction, including a draft of the Plan and Agreement of Merger to be dated on or about April 24, 2003 among Glacier, Mountain West, Bancorp and Pend Oreille (the "Merger Agreement"), a draft of the Bank Merger Agreement to be dated on or about April 24, 2003 between Mountain West and Pend Oreille (collectively the "Agreements"), related summary memos with respect to the Agreements prepared by legal counsel and other documents and memoranda relating to the Acquisition.
- D. The Board has reviewed and discussed the proposed definitive Agreements and related agreements and financial projections and has determined that it is in the best interests of Mountain West, and its sole shareholder Glacier, to proceed with the proposed Acquisition.

RESOLUTIONS

[APPROVAL OF MERGER AGREEMENTS AND RELATED AGREEMENTS]

- 1. The Merger Agreement, substantially in the form presented to and discussed at this meeting, and the transactions it contemplates in which shares of and options for common stock of Bancorp will be exchanged for cash, in the aggregate amount of \$10,400,000, are approved.

2. The Bank Merger Agreement, substantially in the form presented to and discussed at this meeting, and the transaction it contemplates in which Pend Oreille will merge with and into Mountain West, is approved.
3. The proper officers of Mountain West (the "Proper Officers") are authorized to make such non-material amendments, deletions or additions to the Agreements as are acceptable to management with the advice of legal counsel.
4. The Proper Officers of Mountain West are authorized to execute and deliver the Agreements, each substantially in the form presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers with the advice of legal counsel.

[EMPLOYMENT AGREEMENTS]

5. The Employment Agreement between Mountain West and Evelyn A. Meany, and ratified by Glacier, substantially in the form presented to and discussed at this meeting, is approved.
6. The Employment Agreement between Mountain West and Wendy Regan, and ratified by Glacier, substantially in the form presented to and discussed at this meeting, is approved.
7. The Proper Officers are authorized and directed to execute the Employment Agreements, substantially in the forms presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers after review by legal counsel.

[NON COMPETITION AGREEMENTS]

8. The form of Non Competition Agreement between Bancorp, Pend Oreille and its directors and Glacier and Mountain West, as attached to the Agreement, is approved.
9. The Proper Officers, or any one of them, are authorized and directed to execute such agreement substantially in the form presented to and discussed at this meeting, with such non-material amendments, deletions or additions as are acceptable to the Proper Officers after review by legal counsel.

[PREPARATION OF APPLICATIONS]

10. The Proper Officers are authorized and directed to prepare and file, with the assistance of legal counsel and independent accountants, all necessary applications, notices, waivers, agreements and other related documents, as necessary, with the appropriate Federal and state regulatory agencies having authority over the proposed transaction, as such officers, on the advice of counsel, deem necessary or appropriate to comply with applicable statutes, rules and regulations.

[MISCELLANEOUS]

11. For purposes of these Resolutions, the Proper Officers of Mountain West are Jon Hippler-President and Chief Executive Officer, and such other officers as may be designated by Mr. Hippler, each with full power to act alone.
12. The Proper Officers, or any of them acting alone, are authorized and directed to take such other actions as may be necessary, advisable, convenient, or proper to carry out the intent of these Resolutions, to fully perform the provisions of the Agreements (including the execution of any necessary or appropriate consents), and to comply with all applicable laws, rules and regulations.

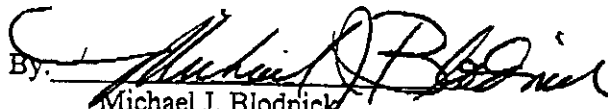
**CONSENT TO ACTION
OF THE SOLE SHAREHOLDER
OF
MOUNTAIN WEST BANK**

Pursuant to the provisions of 30-1-74 of the Idaho Business Corporation Act, the undersigned, being the sole shareholder of Mountain West Bank, an Idaho banking corporation, hereby consents to the following action.

RESOLVED, the Plan and Agreement of Merger dated April 24, 2003 among Glacier Bancorp, Inc. and Mountain West Bank and Pend Oreille Bancorp and Pend Oreille Bank (the "Agreement") and the mergers contemplated by that Agreement are hereby approved in all material respects.

Date: June 24, 2003

GLACIER BANCORP, INC.

By: 
Michael J. Blodnick
President and CEO

**CERTIFICATE
PEND OREILLE BANCORP**

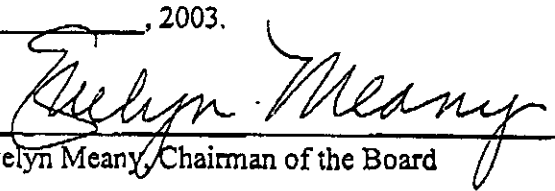
I, Evelyn Meany, Chairman of the Board of Directors of Pend Oreille Bancorp (the "Corporation"), do hereby certify that the following is a true and correct excerpt from the minutes of the special meeting of the Board of Directors of the Corporation held on April 24, 2003:

RESOLVED, that the Plan and Agreement of Mergers by and among the Corporation, Pend Oreille Bank, Glacier Bancorp, Inc., and Mountain West Bank (the "Merger") as executed on behalf of the Corporation by the President of the Corporation is ratified and approved and the President of the Corporation and counsel are authorized and directed to take all necessary steps to accomplish such Merger.

FURTHER RESOLVED, that the President of the Corporation is authorized and directed to execute and file any necessary regulatory applications to approve the Merger on behalf of the Corporation.

FURTHER RESOLVED, that the President of the Corporation is authorized and directed to execute and file Articles of Merger on behalf of the Corporation with the Secretary of State of the State of Washington.

Dated this 24 day of April, 2003.



Evelyn Meany, Chairman of the Board

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**CERTIFICATE
PEND OREILLE BANK**

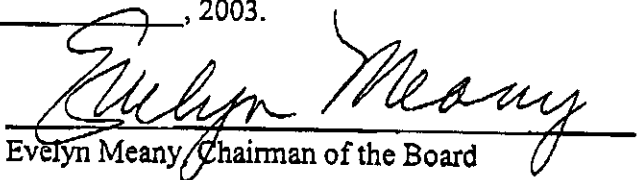
I, Evelyn Meany, Chairman of the Board of Directors of Pend Oreille Bank (the "Bank"), do hereby certify that the following is a true and correct excerpt from the minutes of the special meeting of the Board of Directors of the Bank held on April 24, 2003:

RESOLVED, that the Plan and Agreement of Mergers by and among Pend Oreille Bancorp, Pend Oreille Bank, Glacier Bancorp, Inc., and Mountain West Bank (the "Merger") as executed on behalf of the Bank by the President of the Bank is ratified and approved and the President of the Bank and counsel are authorized and directed to take all necessary steps to accomplish such Merger.

FURTHER RESOLVED, that the President of the Bank is authorized and directed to execute and file any necessary regulatory applications to approve the Merger on behalf of the Bank with the FDIC and any other applicable regulatory agencies.

FURTHER RESOLVED, that the President of the Bank is authorized and directed to execute and file Articles of Merger on behalf of the Bank with the State of Washington.

Dated this 24 day of April, 2003.


Evelyn Meany, Chairman of the Board

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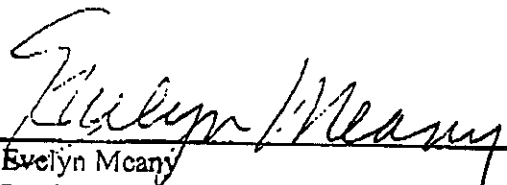
SECRETARY'S CERTIFICATE
SHAREHOLDERS MEETING OF PEND OREILLE BANCORP

I, Evelyn Meany, President and Chief Executive Officer of Pend Oreille Bancorp, do hereby certify that the following is a true and correct excerpt from the minutes of the special meeting of the shareholders of Pend Oreille Bancorp held on June 24, 2003:

RESOLVED, that the shareholders of Pend Oreille Bancorp do hereby approve the terms and conditions of the merger of Mountain West Bank and Pend Oreille Bank as set forth in the Plan and Agreement of Mergers among Glacier Bancorp, Inc., Mountain West Bank, Pend Oreille Bancorp and Pend Oreille Bank (the "Agreement") adopted effective April 24, 2003.

Dated this 24 day of June, 2003.

PEND OREILLE BANCORP

By: 
Evelyn Meany
President and Chief Executive Officer

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OFFICER'S CERTIFICATE
SOLE SHAREHOLDER MEETING OF PEND OREILLE BANK

I, Evelyn Meany, President and Chief Executive Officer of Pend Oreille Bancorp, do hereby certify that the following is a true and correct excerpt from the minutes of the special meeting of the sole shareholder of Pend Oreille Bank held on June 24, 2003:

RESOLVED, that the sole shareholder of Pend Oreille Bank does hereby approve the terms and conditions of the merger of Mountain West Bank and Pend Oreille Bank as set forth in the Plan and Agreement of Mergers among Glacier Bancorp, Inc., Mountain West Bank, Pend Oreille Bancorp and Pend Oreille Bank (the "Agreement") adopted effective April 24, 2003.

FURTHER RESOLVED, that the sole shareholder of Pend Oreille Bank does hereby waive notice of the special meeting of shareholders and the requirements regarding publication of such notice as set forth in RCW 30.49.050 and any other notices required by the Articles and Bylaws of Pend Oreille Bank.

Dated this 24 day of June, 2003.

PEND OREILLE BANCORP

By: 

Evelyn Meany

President and Chief Executive Officer

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LOCATION:

RX TIME 07/15 '03 11:45

PLAN AND AGREEMENT OF MERGER
AMONG
GLACIER BANCORP, INC., MOUNTAIN WEST BANK,
PEND OREILLE BANCORP AND PEND OREILLE BANK

DATED AS OF APRIL 24, 2003

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EXHIBIT B

LOCATION:

RX TIME 07/15 '03 11:45

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List of Schedules and Exhibits

SCHEDULES:

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Schedule 9	Litigation
Schedule 10	Insurance Policies
Schedule 11	Bancorp Benefit Plans
Schedule 12	Offices of Glacier Subsidiaries
Schedule 13	Title Policies

EXHIBITS:

- | | |
|-----------|---|
| Exhibit A | Form of Director Voting and Resignation Agreement |
| Exhibit B | Form of Director Noncompetition Agreement |
| Exhibit C | Form of Bank Merger Agreement |
| Exhibit D | Legal Opinion |
| Exhibit E | Form of Employment Agreement for Evelyn Meany |

**PLAN AND AGREEMENT OF MERGER
AMONG
GLACIER BANCORP, INC., MOUNTAIN WEST BANK,
PEND OREILLE BANCORP AND PEND OREILLE BANK**

This Plan and Agreement of Merger (the "Agreement"), dated as of April 24, 2003, is made by and among and GLACIER BANCORP, INC. ("Glacier"), MOUNTAIN WEST BANK ("Mountain West"), PEND OREILLE BANCORP ("Bancorp") and PEND OREILLE BANK ("Bank").

PREAMBLE

The management and boards of directors of Glacier, Mountain West, Bancorp and Bank, respectively, believe that the proposed Transaction to be accomplished in the manner set forth in this Agreement, is in the best interests of the respective corporations and their shareholders.

RECITALS

- A. **The Parties.** The parties to the Merger are as follows:
- (1) Glacier is a corporation duly organized and validly existing under Delaware law and is a registered bank holding company under the Bank Holding Company Act of 1956, as amended ("BHC Act"). Glacier's principal office is located in Kalispell, Montana. Glacier owns all of the outstanding common stock of Mountain West Bank, Glacier Bank, First Security Bank of Missoula, Western Security Bank, Valley Bank of Helena, Big Sky Western Bank and Glacier Bank of Whitefish.
 - (2) Mountain West is a state-chartered banking corporation duly organized and validly existing under Idaho law with its principal office located in Coeur d'Alene, Idaho.
 - (3) Bancorp is a corporation duly organized and validly existing under Washington law and is a registered bank holding company under the BHC Act. Bancorp's principal office is located in Sandpoint, Idaho. Bancorp owns all of the outstanding common stock of Pend Oreille Bank and Pend Oreille Real Estate Holdings, Inc.
 - (4) Bank is a state-chartered banking corporation duly organized and validly existing under Idaho law with its principal office located in Sandpoint, Idaho.
- B. **The Mergers.** On the Effective Date, Bancorp will merge with and into Glacier, and Bank will merge with and into Mountain West, and Mountain West will survive as a wholly-owned subsidiary of Glacier.
- C. **Board Approvals.** The respective boards of directors of Glacier, Mountain West, Bancorp and Bank have approved this Agreement and authorized its execution and delivery.

- D. **Other Approvals.** The Mergers are subject to:
- (1) Satisfaction of the conditions described in this Agreement;
 - (2) Approval by Bancorp's shareholders; and
 - (3) Approval or acquiescence, as appropriate, by (a) the Board of Governors of the Federal Reserve System ("Federal Reserve"), (b) the Federal Deposit Insurance Corporation ("FDIC"), (c) the State of Idaho Department of Finance, and (d) any other agencies having jurisdiction over the Mergers (collectively, "Regulatory Approvals").
- E. **Employment Agreements.** Mountain West has entered into an employment agreement, effective as of the Effective Date, with Evelyn Meany, the Bank's President and Chief Executive Officer. Mountain West is also offering an employment agreement to Wendy Regan, the Bank's Chief Operating Officer.
- F. **Director Agreements.** In association with the parties' execution of this Agreement, the directors of Bancorp and Bank have entered into agreements, substantially in the form attached to this Agreement as Exhibit A, which includes, among other things, provisions requiring each individual to vote his or her shares of Bancorp common stock in favor of the actions contemplated by this Agreement. In addition, all such directors have entered into non-competition agreements, substantially in the form attached to this Agreement as Exhibit B.
- G. **Fairness Opinion.** Bancorp has received from Columbia Financial Advisors ("Columbia") and delivered to Glacier an opinion to the effect that the financial terms of the Transaction are financially fair to Bancorp's shareholders. As a condition to Closing of the Transaction, Columbia will update this fairness opinion immediately before Bancorp mails the Proxy Statement to its shareholders.
- H. **Bank Merger Agreement.** Concurrent with the parties' execution of this Agreement, Bank and Mountain West have entered into a merger agreement, substantially in the form attached to this Agreement as Exhibit C, providing for the Bank Merger (the "Bank Merger Agreement").

AGREEMENT

In consideration of the mutual agreements set forth in this Agreement, Glacier, Mountain West, Bancorp and Bank agree as follows:

DEFINITIONS

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

"Acquisition Proposal" has the meaning assigned to such term in Section 4.1.10 of this Agreement.

"Agreement" means this Plan and Agreement of Merger.

"Asset Classification" has the meaning assigned to such term in Section 3.1.17 of this Agreement.

"Bancorp" is Pend Oreille Bancorp, a Washington corporation which has its principal place of business in Newport, Washington and which is a bank holding company registered pursuant to the BHC Act.

"Bancorp Common Stock" means the shares of Bancorp common stock, \$1 par value per share, issued and outstanding from time to time.

"Bancorp Financial Statements" means Bancorp's audited consolidated statements of financial condition as of December 31, 2002, 2001 and 2000, and the related statements of income, cash flows and shareholders' equity for each of the years ended December 31, 2002, 2001 and 2000, all as more fully described in Section 3.1.5 of this Agreement.

"Bancorp Option Plans" means the 1993 Director Stock Option Plan and the 1996 Employee Stock Option Plan for the benefit of directors and employees of Bancorp and Bank.

"Bancorp Options" means the stock options issued and outstanding on the date of this Agreement pursuant to the Bancorp Option Plans.

"Bancorp Transaction Fees" has the meaning assigned to such term in Section 5.2.4(i) of this Agreement.

"Bank" is Pend Oreille Bank, an Idaho state chartered bank, which has its head office in Sandpoint, Idaho, and which is wholly owned by Bancorp.

"Bank Merger" means the merger of Bank with and into Mountain West.

"Bank Merger Agreement" means the merger agreement described in Recital H.

"Banking Act" means the Idaho Bank Act, Title 26 of the Idaho Code.

"BHC Act" means the federal Bank Holding Company Act of 1956, as amended.

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

"Capital" means Bancorp's capital stock, surplus and retained earnings determined in accordance with GAAP, applied on a consistent basis, without giving any effect to any impact from gains or losses on available for sale securities between the date of this Agreement and Closing.

"Closing" means the closing of the Transaction contemplated by this Agreement, which will occur on the Effective Date, as more fully specified in Section 2.1 of this Agreement.

"Closing Loan Loss Reserve" has the meaning assigned to such term in Section 5.2.4(iii) of this Agreement.

"Columbia" has the meaning assigned to such term in Recital G.

"Compensation Plans" has the meaning assigned to such term in Section 3.1.21(ii) of this Agreement.

"Corporate Code" means the Delaware Business Corporation Act, as amended.

"Director" means the Director of the Department of Finance for the State of Idaho.

"Dissenting Shares" means those shares of Bancorp Common Stock as to which shareholders have perfected their dissenters' right pursuant to Chapter 23B.13 of the Revised Code of Washington.

"Effective Date" means the date on which all conditions to Closing have occurred and on which the Holding Company Merger takes place, as more fully specified in Section 2.1 of this Agreement.

"Employees" has the meaning assigned to such term in Section 3.1.21(ii) of this Agreement.

"Environmental Assessments" has the meaning assigned to such term in Section 3.1.7(i) of this Agreement.

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

"ERISA Affiliate" has the meaning assigned to such term in Section 3.1.21(iv) of this Agreement.

"Executive Officers" with respect to Bancorp and/or its Subsidiaries means Evelyn Meany, the chief executive officer of Bancorp, who also serves as its chief financial officer and chief lending officer, and Wendy Regan, the chief operating officer of Bank.

"FDIC" means the Federal Deposit Insurance Corporation.

"Federal Reserve" means the Board of Governors of the Federal Reserve System.

"Financial Statements" means the Bancorp Financial Statements.

"GAAP" means generally accepted accounting principles.

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

"Hazardous Material" means any material so described in Section 3.1.7 of this Agreement.

"Holding Company Merger" means the merger of Bancorp with and into Glacier.

"Holdings" means Pend Oreille Real Estate Holdings, Inc., an Idaho corporation and wholly owned subsidiary of Bancorp.

"Leased Real Property" means the real Properties subject to Leases as identified on Schedule 4 to this Agreement.

"Leases" means the terms and conditions governing the leasehold interests in the Leased Real Property as identified on Schedule 7 to this Agreement.

"Loan Property" means any property in which Bancorp or a Subsidiary holds a security interest and, where required by the context, includes the owner or operator of such property, but only with respect to such property.

"Material Adverse Effect" with respect to a Person means an effect that: (1) is materially adverse to the business, financial condition, results of operations or prospects of the Person and its Subsidiaries taken as a whole; (2) significantly and adversely affects the ability of the Person to consummate the Transaction on or by September 30, 2003 or to perform its material obligations under this Agreement; or (3) enables any persons to prevent the consummation on or by September 30, 2003 of the Transaction.

"Merger Consideration" means the cash payments contemplated by Section 1.3.1 of this Agreement.

"Mergers" means the Holding Company Merger and the Bank Merger.

"Mountain West" means Mountain West Bank, an Idaho state chartered banking association, with its head office in Coeur D'Alene, Idaho and which is wholly owned by Glacier.

"OREO" means real property acquired by Bank through foreclosure or deed in lieu of foreclosure or other realization proceedings.

"Paying Agent" means the agent described in Section 1.3.2 of this Agreement.

"Pension Plan" has the meaning assigned to such term in Section 3.1.21(iii) of this Agreement.

"Per Share Consideration" has the meaning assigned in Section 1.3.1 of this Agreement.

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

"Plan" has the meaning assigned to such term in Section 3.1.21(i) of this Agreement.

"Properties" with respect to any party to this Agreement means properties or other assets owned or leased by such party or any of its Subsidiaries.

"Proxy Statement" means the Proxy Statement referred to in Section 4.2 of this Agreement, to be provided to each shareholder of Bancorp in connection with their consideration and approval of the Transaction.

"Subsequent Bancorp Financial Statements" means an unaudited consolidated balance sheet and related consolidated statements of income, cash flows and shareholders' equity for each fiscal quarter ending after December 31, 2002 and prior to Closing, all as more fully described in Section 4.1.8 of this Agreement.

"Subsidiary" with respect to any party to this Agreement means any Person in which the majority of outstanding capital stock or voting power is owned by such party.

"Transaction" means the consummation of the Mergers in accordance with this Agreement.

SECTION 1. TERMS OF TRANSACTION

1.1 **Transaction.** Subject to the terms and conditions set forth in this Agreement and in the Schedules and Exhibits, Bancorp will merge with and into Glacier in the Holding Company Merger pursuant to this Agreement, and Bank will merge with and into Mountain West in the Bank Merger pursuant to the Bank Merger Agreement.

1.2 **Mergers.**

1.2.1 **Holding Company Merger.** Upon Closing of the Holding Company Merger, pursuant to the provisions of the Corporate Code, all shares of Bancorp Common Stock issued and outstanding immediately prior to Closing, except for Dissenting Shares, will, by virtue of the Holding Company Merger and without any action on the part of any holder of shares of Bancorp Common Stock, be converted into the right to receive the consideration described in Section 1.3 of this Agreement.

1.2.2 **Bank Merger.** In the Bank Merger, Bank will be merged into Mountain West pursuant to the Bank Merger Agreement, and Mountain West will be the resulting bank and will be liable for all of the liabilities of Bank.

1.3 Consideration.

1.3.1 **Merger Consideration.** The total Merger Consideration for the Transaction is ten million four hundred thousand dollars (\$10,400,000.00), subject to any supplemental increases contemplated by Section 7.1.3 of this Agreement. The Merger Consideration will be paid by Glacier as provided below.

- (i) **Payment for Bancorp Shares.** As consideration for the Mergers, Glacier will pay to each holder of Bancorp Common Stock as of the Effective Date, an amount in cash for each share of Bancorp Common Stock equal to the "Per Share Consideration".
- (ii) **Outstanding Bancorp Options.** As consideration for the Mergers, Glacier will pay to each holder of an outstanding and vested Bancorp Option an amount in cash equal to the amount by which the Per Share Consideration exceeds the exercise price for such Bancorp Option multiplied by the number of shares covered by such Bancorp Option.
- (iii) **Calculation of Per Share Consideration.** The Per Share Consideration will be calculated by solving for "X" in the following equation:

$$C = AX + [B(X-Y)]$$

Where:

C = Total Merger Consideration

A = Number of shares outstanding of Bancorp Common Stock

X = the Per Share Consideration

B = Number of shares underlying the outstanding Bancorp Options

Y = Weighted average exercise price of outstanding Bancorp Options

- (iv) **Example of Per Share Consideration.** As of the date of this Agreement, it is estimated that there are 197,275 shares of Bancorp Common Stock outstanding, and Bancorp Options, with a weighted exercise price of \$18.4165 per share, to purchase 16,359 shares outstanding. For example only, under these assumptions, the Per Share Consideration would be \$50.09.

1.3.2 **Payment of Merger Consideration.**

- (i) Glacier will act as paying agent (the "Paying Agent") for the purpose of paying the Merger Consideration to holders of certificates representing shares of Bancorp Common Stock and holders of vested Bancorp Options as required by Section 1.3. As Paying Agent, Glacier shall act as an independent custodian of these funds for the benefit of the recipients of the Merger Consideration in accordance with the instructions set forth in this Section 1.3.2.

- (ii) As soon as practicable after the Effective Date but, assuming receipt by the Paying Agent of all necessary Bancorp shareholder information, no later than five (5) Business Days thereafter, the Paying Agent will send written notice to each record holder of Bancorp Common Stock and vested Bancorp Options that the Holding Company Merger has been consummated, together with a letter of transmittal and instructions as to tendering certificates representing the Common Stock (or, in the case of Bancorp Options, instructions as to executing a release of such Bancorp Options) in exchange for payment of the Merger Consideration.
- (iii) Upon surrender for cancellation of one or more certificates for shares of Bancorp Common Stock, accompanied by a duly executed letter of transmittal in proper form (or, in the case of vested Bancorp Options entitled to payment, an executed release of such Bancorp Option) the Paying Agent will, promptly after the Effective Date, deliver to each holder of such surrendered certificates or Bancorp Options payment of the Merger Consideration.
- (iv) Until certificates representing the Bancorp Common Stock have been surrendered (or, in the case of vested Bancorp Options, a release has been duly executed and tendered) to the Paying Agent, each outstanding certificate and Bancorp Option will be deemed to represent solely the right to receive the Merger Consideration and will have no other rights whatsoever.
- (v) Promptly upon surrender of Bancorp Common Stock certificates or the Bancorp Options release, as the case may be, the Paying Agent will pay to the holder of such certificates or Bancorp Options the amount of Merger Consideration to which the holder is entitled, without interest. Notwithstanding anything to the contrary herein, if any holder of Common Stock is unable to surrender his or her certificates because such certificates have been lost or destroyed, such holder may deliver in lieu of the certificates: (1) satisfactory evidence that the holder owns the subject Common Stock and that the certificate representing this ownership is lost, stolen, or destroyed; (2) any appropriate affidavit the Paying Agent may require; and (3) any indemnification assurances that the Paying Agent may require.

- 1.4 **Payment to Dissenting Shareholders.** Dissenting Shares will have the rights provided by Chapter 23B.13 of the Washington Business Corporation Act.

SECTION 2. CLOSING OF TRANSACTION

- 2.1 **Closing.** The Closing will occur on the Effective Date. Unless Glacier and Bancorp agree upon another date, the Effective Date will be the date five (5) Business Days after the fulfillment or waiver of each condition precedent set forth in, and the granting of each

approval (and expiration of any waiting period) required by, Section 5 of this Agreement. If Closing does not occur on or prior to September 30, 2003 and the parties do not mutually agree in writing to extend the Closing, either party may terminate this Agreement in accordance with Section 7 of this Agreement. The parties both covenant to use their best efforts to cause the Transaction to close on or by June 30, 2003, subject to receipt of applicable regulatory approvals, or as soon as is practicable after such date.

- 2.2 **Events of Closing.** On the Effective Date, all properly executed documents required by this Agreement will be delivered to the proper party, in form consistent with this Agreement. If any party fails to deliver a required document on the Effective Date or otherwise defaults under this Agreement on or prior to the Effective Date, then no Transaction will occur unless the adversely affected party waives the default.
- 2.3 **Place of Closing.** Unless Glacier and Bancorp agree otherwise, the Closing will occur at the principal office of Glacier at such time during normal business hours as Glacier and Bancorp may fix.
- 2.4 **Procedure.** Mountain West will notify the Director and the FDIC of the proposed effective time for the Bank Merger. On or before the Business Day immediately preceding the Closing, appropriately prepared and executed articles of merger with respect to the Holding Company Merger will be deposited in the offices of the Delaware and Washington Secretary of State, and appropriately prepared and executed articles of merger with respect to the Bank Merger and related documents will have been deposited in the offices of the Director. On the Effective Date, the articles of merger with respect to the Holding Company Merger will be filed with the offices of the Delaware and Washington Secretary of State, and the articles of merger with respect to the Bank Merger will be filed with the Director. Following such filings, the Director's and FDIC's merger certification letter will become effective.

SECTION 3. REPRESENTATIONS AND WARRANTIES

- 3.1 **Representations and Warranties.** Bancorp and Bank each represent and warrant to Glacier and Mountain West that, except as disclosed in a Schedule to this Agreement:
- 3.1.1 **Organization and Good Standing.** Bancorp is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington, is a registered bank holding company pursuant to the BHC Act, and has all requisite power and authority to own and operate its properties and to carry on its businesses as now conducted. Each of its Subsidiaries is either a commercial bank or a corporation duly organized, validly existing and in good standing under the laws of its state of incorporation, and has all requisite power and authority to own and operate its Properties and to carry on its businesses as now conducted. The locations of all offices, including approved and unopened offices of its Subsidiaries, are listed in Schedule 1.

3.1.2 Corporate Authority. Subject to receipt of required shareholder approvals of this Agreement, and subject to the required approvals, consents and waivers of governmental authorities referred to in Section 5.1 of this Agreement, Bancorp and its Subsidiaries have all requisite corporate power and authority to enter into and carry out their respective obligations pursuant to this Agreement. The execution, delivery and performance of this Agreement will not violate any judgment, order, decree, statute, rule or governmental regulation to which Bancorp or any of its Subsidiaries may be subject, or constitute a breach or violation of or a default under any agreement or instrument to which Bancorp or any of its Subsidiaries is a party or by which Bancorp or any of its Subsidiaries may be bound, which breach or violation or default would have a Material Adverse Effect. Neither Bancorp nor any of its Subsidiaries is in violation of any provision of its Articles of Incorporation or Bylaws or any agreement or instrument to which Bancorp or any of such Subsidiaries is a party or by which Bancorp or any of such Subsidiaries is bound.

3.1.3 Capital Stock.

- (i) The authorized capital stock of Bancorp consists of 500,000 shares of Bancorp Common Stock, par value \$1 per share. A total of 197,275 shares of Bancorp Common Stock are issued and outstanding as of the date of this Agreement, all of which were validly issued and are fully paid and nonassessable. No shares of preferred stock are issued and outstanding. As of the date of this Agreement, Bancorp Options with respect to 16,359 shares of Bancorp Common Stock have been granted and are outstanding.
- (ii) Bank's authorized capital stock consists of 22,000 shares of common stock, par value \$1 per share, of which 19,779 shares currently are issued and outstanding, all of which are validly issued to Bancorp, fully paid and nonassessable, except to the extent of any assessment required under Section 26-1113 of the Banking Act.
- (iii) Holding's authorized capital stock consists of 25,000 shares of common stock, par value \$1 per share, of which 1,000 shares currently are issued and outstanding, all of which are validly issued to Bancorp, fully paid and nonassessable.
- (iv) No unissued shares of common stock or any other securities of Bancorp or Bank, or any of their Subsidiaries, are subject to any warrants, options, conversion privileges, rights or commitments of any character, kind or nature, except as set forth in Schedule 2, and neither Bancorp nor Bank has issued or is obligated to issue any additional shares of common stock or any other security to any other person, except as so disclosed.

3.1.4 **Subsidiaries.** Except as listed in Schedule 3, Bancorp has no Subsidiaries. The shares of capital stock of each of its Subsidiaries are owned by it free and clear of all liens, claims, encumbrances and restrictions on transfer.

3.1.5 **Financial Statements.** Bancorp's Financial Statements (i) have been prepared from the books and records of the entity or entities to which they relate, (ii) present fairly the financial condition and operating results of such entity or entities at the times indicated and for the periods covered, (iii) have been prepared in accordance with GAAP consistently applied through the periods covered, except as stated therein, and (iv) reflect all material liabilities, contingent or otherwise, of Bancorp and its Subsidiaries on the respective dates covered, except as stated therein.

3.1.6 **Properties.**

- (i) Bancorp and each of its Subsidiaries has unencumbered legal title or contract vendee's interest to their respective owned properties and other assets reflected in its Financial Statements, except for: (a) those encumbrances related to real property taxes, local improvement district assessments (if any), easements, covenants, restrictions and other matters of record which do not individually or in the aggregate materially adversely affect the use and enjoyment of the relevant real property; (b) prior mortgage liens on other real estate owned (to the extent consistent with the terms of the original loan in connection with which such real estate was acquired); (c) any property and other assets, not material in aggregate amount, disposed of since March 31, 2003 in the ordinary course of business; and (d) such defects in title which would not, individually or in the aggregate, have a Material Adverse Effect. Except as set forth in Schedule 4, all leases of real or personal property in which Bancorp or Bank has an interest as lessee are assignable without the consent of any other party.
- (ii) To the knowledge of its Executive Officers, all buildings and other facilities used in its business (or that of any of its Subsidiaries) are adequately maintained and are free from defects which could materially interfere with the current or future use of such facilities.
- (iii) Except for the Leased Real Property and the vacant land described on Schedule 4, Holdings has no property or assets.

3.1.7 **Environmental Matters.**

- (i) Attached hereto as Schedule 5 are true and complete copies of all environmental surveys, assessments, reports and other documentation relating to any real property on which Bancorp or any of its Subsidiaries maintains an office (the "Environmental Assessments"). Other than the Environmental Assessments, to the knowledge of Bancorp's Executive

Officers, there are no other environmental surveys, assessments, reports or other environmental documentation relating to such real property.

- (ii) To the knowledge of its Executive Officers, Bancorp and each of its Subsidiaries, the Loan Properties are, and have been, in compliance with all applicable laws, rules, regulations, standards and requirements of the United States Environmental Protection Agency and of state and local agencies with jurisdiction over pollution or protection of the environment, except for violations which, individually or in the aggregate, do not or would not result in a Material Adverse Effect on it.
- (iii) To the knowledge of its Executive Officers, neither Bancorp nor any of its Subsidiaries, nor any other Person having an interest in any of its Properties or the Loan Properties, has engaged in the unlawful generation, use, manufacture, treatment, transportation, storage (in tanks or otherwise), or disposal of Hazardous Material on or from such Properties, except as otherwise disclosed in the Environmental Assessments. To the knowledge of its Executive Officers, with respect to its Properties and the Loan Properties, there has not been (a) any unlawful presence, use, generation, handling, treatment, storage, release, threatened release, migration or disposal of Hazardous Material, (b) any condition that could result in any use, ownership or transfer restriction, or (c) any condition of nuisance, any of which, individually or collectively, would have a Material Adverse Effect on it, except as otherwise disclosed in the Environmental Assessments. Neither Bancorp nor any of its Subsidiaries has received notice of, or, to the knowledge of its Executive Officers has reason to know of, a condition that could give rise to any private or governmental suit, claim, action, proceeding or investigation against it or its Properties or the Loan Properties or against any other Person as a result of any of the events described in clauses (a), (b), and (c) of this paragraph. "Hazardous Material" means any chemical, substance, material, object, condition, waste or combination of the foregoing which is or may be hazardous or harmful to human health or safety or to the environment due to its radioactivity, ignitability, corrosivity, reactivity, explosivity, toxicity, carcinogenicity, infectiousness or other harmful or potentially harmful properties or effects, including, without limitation, petroleum or petroleum products, and all of those chemicals, substances, materials, objects, conditions, wastes or combinations of them which are now or become listed, defined or regulated in any manner by any federal, state or local law based, directly or indirectly.

3.1.8 Taxes. All tax returns and reports required by law to be filed by Bancorp and its Subsidiaries have been duly filed, and all taxes, assessments, fees and other government charges upon Bancorp or any of its Subsidiaries or upon any of their respective properties, assets, income or franchises that are due and payable have been paid. The federal income portion of such taxes have been paid in full as indicated in Bancorp's tax returns for the past five years or adequate

provision has been made for any such taxes on its balance sheet in accordance with GAAP. No material objections to returns or claims for additional taxes are being asserted with respect to Bancorp's federal or state taxes for any prior years, except for such audits, objections or claims which are being contested in good faith, by appropriate proceedings and with establishment of appropriate reserves, and which have been disclosed in writing to the other parties to this Agreement. Except as set forth in Schedule 6 or except as specified in the foregoing sentence, in the past five years, there has been no past audit, objection to returns, or claim for additional taxes.

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

3.1.10 Allowance for Loan Losses. In the opinion of its management, the allowance for loan losses shown in Bancorp's latest Financial Statements is, and that which will be stated in its Subsequent Financial Statements prior to Closing will be, adequate to absorb its anticipated loan losses. In any event, Bank's allowance for loan losses at the Effective Date will be at least 1.5 % of its then-outstanding loans, plus \$200,000.

3.1.11 Material Agreements.

- (i) Except for arrangements made after the date and in accordance with the terms of this Agreement, Bancorp and its Subsidiaries are not bound by any material contract (as defined in Item 601(b)(10) of Regulation S-K under the Securities Act) that: (1) is to be performed after the date of this Agreement and (2) has not been set forth in Schedule 7.
- (ii) Neither it nor any of its Subsidiaries is in default under any contract, agreement, commitment, arrangement, lease, insurance policy, or other instrument.

3.1.12 Compliance with Laws. Bancorp and each of its Subsidiaries has all permits, licenses, certificates of authority, orders, and approvals of, and has made all filings, applications, and registrations with, federal, state, local, and foreign

governmental or regulatory bodies that are required in order to permit Bancorp or its Subsidiaries to carry on their respective businesses as they are presently conducted and the absence of which, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect on it. All such permits, licenses, certificates of authority, orders and approvals are in full force and effect, and, to the best knowledge of its Executive Officers, no suspension or cancellation of any of them is threatened.

3.1.13 Knowledge as to Conditions. Bancorp knows of no reason why the approvals, consents and waivers of governmental authorities referred to in Section 5.1 of this Agreement should not be obtained.

3.1.14 Proxy Statement. The Proxy Statement will not at the time it is mailed, and at the time of the Bancorp shareholder meeting called to consider and vote upon the Transaction, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.1.15 No Material Adverse Effect. Since March 31, 2003, neither Bancorp nor any of its Subsidiaries has incurred any material liability, except in the ordinary course of their business consistent with past practice, nor has there been any change in the financial condition (which includes, without limitation, the condition of assets, franchises, results of operations and prospects) that has had or may reasonably be expected to have a Material Adverse Effect on it.

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

3.1.17 Asset Classification.

- (i) Schedule 8 sets forth a list, accurate and complete as of March 31, 2003, except as otherwise expressly noted in Schedule 8, and separated by category of classification or criticism ("Asset Classification"), of the aggregate amounts of loans, extensions of credit and other assets of Bancorp and its Subsidiaries that have been criticized or classified by any governmental or regulatory authority, by any outside auditor, or by any internal audit.
- (ii) Except as shown on Schedule 8, no amounts of its loans, extensions of credit or other assets that have been classified or criticized by any representative of any governmental entity as "Other Assets Especially Mentioned," "Substandard," "Doubtful," "Loss" or words of similar effect

are excluded from the amounts disclosed in the Asset Classification, other than amounts of loans, extensions of credit or other assets that were paid off or charged off by it or its Subsidiaries before the date of this Agreement.

- 3.1.18 Litigation.** Except as disclosed on Schedule 9, no material litigation, proceeding or controversy before any court or governmental agency is pending (other than routine foreclosure proceedings), and there is no pending claim, action or proceeding against Bancorp or any of its Subsidiaries, which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on it or to materially hinder or delay consummation of the Transaction, and, to the best knowledge of its Executive Officers after reasonable inquiry, no such litigation, proceeding, controversy, claim or action has been threatened or is contemplated.
- 3.1.19 Insurance.** Bancorp and each of its Subsidiaries have taken all requisite action (including the making of claims and the giving of notices) under their respective directors' and officers' liability insurance policy or policies in order to preserve all rights under such policies with respect to all matters known to it (other than matters arising in connection with, and the transactions contemplated by, this Agreement). Schedule 10 lists all directors' and officers' liability insurance policies and other material insurance policies maintained by Bancorp or its Subsidiaries.
- 3.1.20 Labor Matters.** Neither Bancorp nor any of its Subsidiaries is a party to, or is bound by, any collective bargaining agreement, contract, or other agreement or understanding with a labor union or labor organization, nor is it or any of its Subsidiaries the subject of any proceeding asserting that it or any such Subsidiary has committed an unfair labor practice or seeking to compel it or such Subsidiary to bargain with any labor organization as to wages and conditions of employment, nor is there any strike or other labor dispute involving it or any of its Subsidiaries pending or, to the knowledge of its Executive Officers, threatened.
- 3.1.21 Employee Benefits.**
- (i) For purposes of this Agreement, "Plan" or "Plans", individually or collectively, means any "employee benefit plan," as defined in Section 3(3) of ERISA, maintained by Bancorp or Bank, as the case may be.
 - (ii) Schedule 11 sets forth a list, as of the date of this Agreement, of (a) all bonus, deferred compensation, pension, retirement, profit-sharing, thrift, savings, employee stock ownership, stock bonus, stock purchase, restricted stock and stock option plans, (b) all material employment or severance contracts and (c) all other material employee benefit plans that cover employees or former employees of Bancorp and its Subsidiaries (its

"Compensation Plans"). True and complete copies of the Compensation Plans (and, as applicable, copies of summary plan descriptions, governmental filings (on Form 5500 series or otherwise), actuarial reports and reports under Financial Accounting Standards Board Statement No. 106 relating to such Compensation Plans) covering its current employees or those of its Subsidiaries (collectively, "Employees"), including Plans and related amendments, have been made available to the other parties to this Agreement.

- (iii) All of its Plans covering Employees (other than "multi-employer plans" within the meaning of ERISA Sections 3(37) or 400 1(a)(3)), to the extent subject to ERISA, are in substantial compliance with ERISA. Each of its Plans that is an "employee pension benefit plan" within the meaning of ERISA Section 3(2) ("Pension Plan") and that is intended to be qualified under Section 40 1(a) of the Code, has received a favorable determination letter from the Internal Revenue Service, and Bancorp is not aware of any circumstances likely to result in revocation of any such favorable determination letter. No litigation relating to its Plans is pending or, to the knowledge of its Executive Officers, threatened. Neither Bancorp nor any of its Subsidiaries has engaged in a transaction with respect to any Plan that, assuming the taxable period of such transaction expired as of the date of this Agreement, could subject it or any of its Subsidiaries to a tax or penalty imposed by either Section 4975 of the Code or ERISA Section 502(i).
- (iv) No liability under Subtitle C or D of Title IV of ERISA (other than payment of applicable premiums) has been or is expected to be incurred by Bancorp or any of its Subsidiaries with respect to any ongoing, frozen or terminated "single-employer plan," within the meaning of ERISA Section 4001(a)(15), currently or formerly maintained by any of them, or the single-employer plan of any entity that is considered one employer with it under ERISA Section 4001 or Section 414 of the Code (an "ERISA Affiliate"). Bancorp and its Subsidiaries and ERISA Affiliates have not incurred and do not expect to incur any material withdrawal liability with respect to a multi-employer plan under Subtitle I of Title IV of ERISA (regardless of whether based on contributions of ERISA Affiliates). Neither Bancorp, its Subsidiaries nor any of its ERISA Affiliates has been notified by any multi-employer plan to which it or any of its subsidiaries or ERISA Affiliates is contributing, or may be obligated to contribute, that such multi-employer plan is currently in reorganization or insolvency or that such multi-employer plan intends to terminate or has been terminated under ERISA Section 404 1A. No notice of a "reportable event" within the meaning of ERISA Section 4043, for which the 30-day reporting requirement has not been waived, has been required to be filed for any of its Pension Plans or by any of its ERISA Affiliates within the 12-month period ending on the date of this Agreement. Neither Bancorp, its Subsidiaries nor any of their respective ERISA Affiliates has incurred or is

aware of any facts that are reasonably likely to result in any liability under ERISA Sections 4069 or 4204.

- (v) All material contributions Bancorp or any of its Subsidiaries are or were required to make under the terms of any of its Plans have been timely made or have been reflected in its Financial Statements. Neither any of its Pension Plans nor any single-employer plan of any of its ERISA Affiliates has an "accumulated funding deficiency" (whether or not waived) within the meaning of Section 412 of the Code or ERISA Section 302. Neither Bancorp nor any of its Subsidiaries or its ERISA Affiliates has provided, or is required to provide, security to any Pension Plan or to any single-employer plan of an ERISA Affiliate under Code Sections 401(a)(29) or 412(t)(3) or ERISA Sections 306, 307 or 4204.
- (vi) Except as disclosed in the Bancorp Financial Statements, neither Bancorp nor any of its Subsidiaries has any obligations for retiree health and life benefits.
- (vii) No provision of the documents governing any Plan contains restrictions on the rights of Bancorp or its Subsidiaries to amend or terminate any Plan without incurring liability under the Plan other than normal liabilities for benefits.
- (viii) Except as disclosed in the Bancorp Financial Statements or otherwise disclosed in this Agreement or in the related Schedules, the Transaction will not result in (a) vesting, acceleration, or increase of any amounts payable under any Compensation Plan, (b) any material increase in benefits under any Compensation Plan or (c) payment of any severance or similar compensation under any Compensation Plan.
- (ix) Neither Bancorp nor Bank maintains an executive supplemental retirement plan.

3.1.22 Broker's or Finder's Fees. Except for the fees of Columbia deemed by its board to be required to obtain a fairness opinion and related advice from Columbia to effect the Transaction, no agent, broker, person or firm acting on behalf of Bancorp or Bank, or under its authority, is or will be entitled to any commission, broker's, finder's or financial advisory fee in connection with the Transaction.

3.2 Representations and Warranties of Glacier. Except as disclosed in an Schedule to this Agreement, Glacier represents and warrants to Bancorp

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

bank or a corporation duly organized, validly existing and in good standing under the laws of its state of Incorporation, and has all requisite power and authority to own and operate its Properties and to carry on its businesses as now conducted. The locations of all offices, including approved and unopened offices of its Subsidiaries, are listed in Schedule 12.

- 3.2.2 Corporate Authority.** Subject to receipt of required shareholder approvals of this Agreement, and subject to the required approvals, consents and waivers of governmental authorities referred to in Section 5.1 of this Agreement, each of it and its Subsidiaries has all requisite corporate power and authority to enter into and carry out its obligations pursuant to this Agreement. The execution, delivery and performance of this Agreement will not violate any judgment, order, decree, statute, rule or governmental regulation to which it or any of its Subsidiaries may be subject, or constitute a breach or violation of or a default under any agreement or instrument to which it or any of its Subsidiaries is a party or by which it or any of its Subsidiaries may be bound, which breach or violation or default would have a Material Adverse Effect. Neither it nor any of its Subsidiaries is in violation of any provision of its Articles of Incorporation or Bylaws or any agreement or instrument to which it or any of such Subsidiaries is a party or by which it or any of such Subsidiaries is bound.
- 3.2.3 Financing Available.** Not later than the Effective Date, Glacier will have available sufficient cash or other liquid assets or financing pursuant to binding agreements or commitments which may be used to fund the Mergers. Glacier's ability to consummate the Transaction is not contingent on raising any equity capital, obtaining specific financing, obtaining the consent of any lender or any other such requirement.
- 3.2.4 Knowledge as to Conditions.** Glacier knows of no reason why the approvals, consents and waivers of governmental authorities referred to in Section 5.1 of this Agreement should not be obtained.
- 3.2.5 Litigation.** No material litigation, proceeding or controversy before any court or governmental agency is pending, and there is no pending claim, action or proceeding against Glacier or any of its Subsidiaries, which is reasonably likely, individually or in the aggregate, to have a Material Adverse Effect on it or to materially hinder or delay consummation of the Transaction and, to the best knowledge of its executive officers after reasonable inquiry, no such litigation, proceeding, controversy, claim or action has been threatened or is contemplated.
- 3.3 Exceptions to Representations.** No representation contained in Section 3.1 or Section 3.2 of this Agreement will be found to be untrue or incorrect, and no party to this Agreement will have breached a representation or warranty due to the existence of any fact or event that would not have a Material Adverse Effect with respect to such party.

SECTION 4.
CONDUCT AND TRANSACTIONS PRIOR TO CLOSING

4.1 Conduct of Bancorp's and Bank's Business Prior to Closing. Bancorp and Bank each covenant that, prior to Closing:

4.1.1 Availability of Books, Records and Properties.

- (i) The books, records, properties, contracts and documents of Bancorp and Bank will be available at all reasonable times to Glacier, Mountain West and their counsel, accountants and other representatives. Such items will be open for inspection, audit and direct verification of loan or deposit balances, collateral receipts and such other transactions or documentation as Glacier or Mountain West deem reasonably relevant to the Transaction. Bancorp and Bank will cooperate fully in such inspection and audit, and will make available all information reasonably requested by Glacier or Mountain West.
- (ii) Upon request by Glacier or Mountain West, Bancorp and Bank will request that any third parties involved in the preparation or review of the Bancorp Financial Statements or Bancorp Subsequent Financial Statements disclose to Glacier and Mountain West the work papers or any similar materials related to such financial statements.

4.1.2 Ordinary and Usual Course. Without prior written consent of Glacier or Mountain West, Bancorp and Bank will conduct their respective business only in the ordinary and usual course and will not do any of the following:

- (i) effect any stock split or other recapitalization with respect to Bancorp Common Stock or the shares of Bank; issue (except for issuances upon the exercise of Bancorp Options), pledge or encumber in any way any shares of such capital stock; or grant any option for shares of such capital stock.;
- (ii) other than in the ordinary course of business, consistent with past practice, and as necessary to pay third-party Transaction costs consistent with this Agreement, declare or pay any dividend, or make any other distribution, either directly or indirectly, with respect to Bancorp Common Stock or the shares of Bank;
- (iii) dispose of assets or make any commitment other than in the ordinary and usual course of business;
- (iv) solicit or accept deposit accounts of a different type from accounts previously accepted by Bank or at rates materially in excess of rates previously paid by Bank except to reflect changes in prevailing interest rates, or incur any indebtedness for borrowed money (other than routine FHLB indebtedness);

- (v) offer or make loans or other extensions of credit of a different type, or apply different underwriting standards, from those previously offered or applied by Bank, or offer or make a loan or extension of credit in an amount greater than \$500,000 without prior consultation with Mountain West;
- (vi) except for the transfer of the Leased Real Property, cancellation of Leases and satisfaction of obligations as contemplated by Section 4.1.11, acquire an ownership interest or a leasehold interest in any real property, except those disclosed on Schedule 4, whether by foreclosure or otherwise, without making an appropriate environmental evaluation in advance of obtaining such interest and without providing to Glacier such evaluation and at least 30 days' advance notice;
- (vii) enter into, renew, or terminate any contracts calling for a payment by it of more than \$10,000 (including real property leases and data or item processing agreements) with or for a term of one-year or more, except for its contracts of deposit and agreements to lend money not otherwise restricted under this Agreement;
- (viii) enter into or amend any contract (other than contracts for deposits or agreements to lend money not otherwise restricted by this Agreement) calling for a payment by it of more than \$15,000, unless the contract may be terminated without cause or penalty upon 30 days notice or less;
- (ix) enter into any personal services contract with any person or firm outside the ordinary course of business, except contracts, agreements, or arrangements for legal, accounting, investment advisory, or tax services entered into to facilitate the Transaction;
- (x) sell any securities, whether held for investment or sale, other than in the ordinary course of business;
- (xi) amend its articles of incorporation, bylaws, or other formation agreements, or convert its charter or form of entity;
- (xii) implement or adopt any material changes in its operations, policies, or procedures, including loan loss reserve policies, unless the changes are requested by Glacier or are necessary or advisable, on the advice of legal counsel, to comply with applicable laws, regulations, or regulatory policies;
- (xiii) implement or adopt any change in its accounting principles, practices or methods, other than as may be required (1) by GAAP, (2) for tax purposes, or (3) to take advantage of any beneficial tax or accounting methods;
- (xiv) other than in accordance with binding commitments existing on the date of this Agreement, make any capital expenditures in excess of \$10,000 per

project or related series of projects or \$25,000 in the aggregate, except for Bancorp Transaction Fee expenses, which expenses may not exceed \$165,000;

- (xv) enter into any other transaction or make any expenditure other than in the ordinary and usual course of its business except for expenses reasonably related to completion of the Transaction; or
- (xvi) take any action which would materially and adversely affect or delay their ability or the ability of Glacier and Mountain West to obtain any necessary approvals, consents or waivers of any governmental authority required for the Transaction or to perform their respective covenants and agreements under this Agreement.

4.1.3 Continuing Representation and Warranty. They will not do or cause to be done anything that would cause any representation or warranty in Section 3 of this Agreement to be untrue or inaccurate if made at Closing, except as otherwise contemplated or required by this Agreement or consented to in writing by Glacier or Mountain West.

4.1.4 Maintenance of Properties. Each will maintain its respective properties and equipment (and related insurance or its equivalent) in accordance with good business practice.

4.1.5 Preservation of Business Organization. Each will use all reasonable effort to:

- (i) Preserve its respective business organization.
- (ii) Retain the services of management and employees consistent with such program for consolidation of redundant employment positions resulting from the Transaction as shall be developed in cooperation with Glacier.
- (iii) Preserve the goodwill of suppliers, customers and others with whom Bancorp and Bank have business relations.

4.1.6 Senior Management. Without prior consultation with Glacier or Mountain West, neither Bancorp nor Bank will make any change with respect to present management personnel having the rank of vice-president or higher.

4.1.7 Compensation. Bancorp and Bank will not permit any increase in the current or deferred compensation payable or to become payable by Bancorp or Bank to any of its directors, officers, employees, agents or consultants other than normal increments in compensation in accordance with Bancorp's and Bank's established policies with respect to the timing and amounts of such increments; provided, however, that Bancorp or the Bank may accelerate and make the change of control payment to Evelyn Meany under her Change of Control Agreement with Bancorp and Bank, dated March 17, 1998. Without the prior written approval of Glacier and Mountain West, and except as provided in

Section 6.3 of this Agreement, Bancorp and Bank will not commit to, execute or deliver any employment agreement with any party not terminable without expense with two weeks notice.

4.1.8 Financial Statements.

- (i) **Subsequent Bancorp Financial Statements.** Bancorp will deliver Subsequent Bancorp Financial Statements to Glacier, as soon as possible and not later than thirty (30) days following the end of each relevant quarter.
- (ii) **Qualifications.** The 2002 Financial Statements and Subsequent Bancorp Financial Statements:
 - (1) Will be prepared from the books and records of Bancorp and Bank.
 - (2) Will present fairly the financial position and operating results of Bancorp and Bank at the times indicated and for the periods covered.
 - (3) Will be prepared in accordance with GAAP (except for the absence of notes), consistently applied through the periods covered, subject to normal year-end adjustments.
 - (4) Will reflect all material liabilities, contingent or otherwise, of Bancorp and Bank on the respective dates and for the respective periods covered, except for liabilities not required to be so reflected in accordance with GAAP.

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

4.1.10 Acquisition Proposals.

- (i) **Restrictions on Bancorp.** Bancorp agrees that neither it nor any of its Subsidiaries will, and Bancorp will direct and use its best efforts to cause its directors, officers, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of its Subsidiaries) not to, initiate, solicit, encourage or take any other action to facilitate any inquiries or the making of any proposal or offer (including, without limitation, any proposal or offer to shareholders of Bancorp) with respect to a merger, consolidation or similar transaction involving, or any purchase of all or any significant

portion of the assets or equity securities of, Bancorp or any of its Subsidiaries (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or, except to the extent legally required for the discharge by the board of directors of its fiduciary duties as advised in writing by such board's counsel, engage in any negotiations concerning, or provide any confidential information or data to any Person relating to, an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal. Bancorp will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing. Bancorp will take the necessary steps to inform the appropriate individuals or entities referred to in the first sentence hereof of the obligations undertaken in this Section. Bancorp will notify Glacier immediately if any such inquiries or proposals are received by, any such information is requested from, or any such negotiations are sought to be initiated or continued with Bancorp.

- (ii) **Termination Fee.** If this Agreement is terminated by Glacier by reason of a breach by Bancorp or Bank under circumstances described in Section 7.1.4 and, within twelve calendar months of the effective date of such termination, Bancorp or Bank enters into an agreement with a party other than Glacier or one or more of its Subsidiaries or affiliates for (i) a merger, consolidation or similar transaction involving Bancorp, or (ii) any purchase of all or substantially all of the assets or equity securities of, Bancorp or the Bank, Bancorp will pay to Glacier a cash termination fee. The termination fee will be an amount equal to the per share transaction value received by Bancorp or its shareholders in the transaction, less \$36.00, multiplied by a number equal to 15% of the number of shares of Bancorp Common Stock outstanding on March 31, 2003, adjusted for any stock splits or dividends after that date.

4.1.11 Transfer of Leased Real Property; Cancellation of Leases.

Contemporaneously with the Closing, Bancorp and Bank (i) will cause Holdings to transfer to Bank all of Holding's assets, including, without limitation, title to the Leased Real Property, and (ii) will cancel and will cause Holdings to cancel the Leases between Holdings and Bank or Bancorp, and all other obligations between Holdings and Bank or Bancorp relating to the Leased Real Property.

- 4.1.12 Status of Title/Leasehold Interests.** Bancorp and Bank will provide Glacier and Mountain West with title reports issued by a title insurance company reasonably satisfactory to Glacier showing unencumbered fee simple title or vendee's interest to all real property (including all Leased Real Property transferred to Bank pursuant to Section 4.1.11 of this Agreement) owned by Bancorp and Bank, and unencumbered leasehold interests in all real property leased by Bancorp or Bank, and containing only such exceptions, reservations and encumbrances as may be consented to in writing by Glacier (which consent Glacier may not unreasonably withhold) or are described in clauses (a) through

(d) of Section 3.1.6(i) of this Agreement or which have been included as exceptions in the existing title policies that are attached to this Agreement as Schedule 13.

4.1.13 Directors' and Officers' Liability. Immediately prior to the Effective Date, Bancorp shall notify its directors' and officers' liability insurers of the Transaction and of all pending or threatened claims, actions, suits, proceedings or investigations asserted or claimed against any Person entitled to indemnification pursuant to Section 8.4 of this Agreement and known to Bancorp, or circumstances reasonably deemed by Glacier to be likely to give rise thereto, in accordance with terms and conditions of the applicable policies.

4.1.14 Review of Loans. Bancorp and Bank will permit Glacier to conduct an examination of Bank's loans to determine credit quality and the adequacy of Bank's allowance for loan losses. Glacier will have continued access to Bank's loans through Closing to update the examination. Glacier will continue to apply the same criteria during such examinations as was applied during Glacier's prior due diligence of Bank. At Glacier's reasonable request, Bank will provide Glacier with current reports updating the information set forth in Schedule 8.

4.2 Proxy Statement. Subject to review by Glacier, Bancorp at its sole expense will prepare a proxy statement (the "Proxy Statement") to be mailed to holders of Common Stock in connection with the Meeting. At the time that the Proxy Statement is delivered to Bancorp's shareholders, and all times thereafter, the information set forth in the Proxy Statement and any amendments or supplements to the Proxy Statement that relate to the Bank (i) will comply in all material respects with applicable statutory or regulatory requirements, and (ii) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated in the Proxy Statement or necessary to make the statements in the Proxy Statement not misleading.

4.3 Submission to Shareholders. Bancorp will promptly take the action necessary in accordance with applicable law and its Articles of Incorporation and Bylaws to convene a shareholders meeting to consider the approval of this Agreement and to authorize the transactions contemplated by this Agreement, such meeting date to be the earliest practical date following the date of this Agreement. Bancorp will use its best efforts to convene such shareholders meeting on or by June 20, 2003.

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

- (i) An application (or request for waiver) to the Federal Reserve and related filings regarding the Holding Company Merger.

- (ii) An application to the FDIC and Director and related filings regarding the Bank Merger.
 - (iii) Filings and coordination with the offices of the Delaware and Washington Secretary of State with respect to the Holding Company Merger.
- 4.5 **Public Announcements.** Subject to written advice of legal counsel with respect to legal requirements relating to public disclosure of matters related to the subject matter of this Agreement, the timing and content of any announcements, press releases or other public statements concerning the Transaction shall occur upon, and be determined by, the mutual consent of Bancorp and Glacier.
- 4.6 **Consents.** Each party to this Agreement will use its best efforts to obtain the timely consent or approval of any Person whose consent or approval is required in order to permit Glacier, Mountain West, Bancorp and Bank to consummate the Transaction.
- 4.7 **Further Actions.** The parties to this Agreement will use their best efforts in good faith to make all such arrangements, do or cause to be done all such acts and things, and execute and deliver all such certificates and other instruments and documents as may be reasonably necessary or appropriate in order to consummate the Transaction promptly.
- 4.8 **Notice.** Bancorp and Bank will provide Glacier and Mountain West with prompt written notice of:
 - (i) Any events that, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect with respect to Bancorp or Bank.
 - (ii) The commencement of any proceeding against Bancorp or Bank by or before any court or governmental agency that, individually or in the aggregate, can reasonably be expected to have a Material Adverse Effect with respect to Bancorp or Bank.
 - (iii) Acquisition of an ownership or leasehold interest in any real property (except as disclosed in Schedule 4), as specified in Section 4.1.2 of this Agreement.
- 4.9 **Confidentiality.** Subject to the requirements of law, each party will keep confidential, and will exercise its best efforts to cause its representatives to keep confidential, all information and documents obtained pursuant to this Agreement unless such information (i) is required by law to be disclosed, (ii) becomes available to such party from other sources not bound by a confidentiality obligation, (iii) is disclosed with prior written approval of the party to which such information pertains or is disclosed in a legal action between the parties relating to the Transaction, or (iv) is or becomes public without fault of the subject party. If this Agreement is terminated or the Transaction otherwise fails to be consummated, each party to this Agreement will promptly (i) return to the other all confidential documents obtained from them; and (ii) not use or disclose any nonpublic information obtained under this Agreement or in connection with the Transaction.

SECTION 5.
APPROVALS AND CONDITIONS

- 5.1 **Required Approvals.** The obligations of the parties to this Agreement are subject to the approval of this Agreement, the Bank Merger Agreement and the Transaction by all appropriate regulatory agencies having jurisdiction with respect to the Transaction.
- 5.2 **Conditions to Obligations of Glacier and Mountain West.** All obligations of Glacier and Mountain West pursuant to this Agreement are subject to satisfaction of the following conditions at or before Closing:
- 5.2.1 **Representations and Warranties.** The representations and warranties of Bancorp and Bank contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement will be true and correct at Closing, with the same force and effect as though such representations and warranties had been made on and as of Closing, except to the extent that such representations and warranties are by their express provisions made as of a specified date, in which case such representations and warranties shall be true and correct as of such date. Bancorp and Bank will have delivered to Glacier and Mountain West their respective certificates to that effect, executed by the chief executive officer of Bancorp and dated as of Closing.
- 5.2.2 **Compliance.** Bancorp and Bank each will have performed and complied in all material respects with all terms, covenants and conditions of this Agreement on or before Closing. Bancorp and Bank will have delivered to Glacier and Mountain West their respective certificates to that effect, executed by the chief executive officer of Bancorp and dated as of Closing.
- 5.2.3 **No Material Adverse Effect.** Since March 31, 2003, there will have been no material damage, destruction or loss (whether or not covered by insurance) and no other event, individually or in the aggregate, constituting a Material Adverse Effect with respect to Bancorp or Bank; provided, however, that no change arising under Section 5.2.12 with respect to the Bank's loans will constitute a Material Adverse Effect if, after such change is properly accounted for on the Bank's books consistent with past practice, the Closing Loan Loss Reserve will be satisfied and the closing Capital requirement under Section 5.2.4(ii) will be met.
- 5.2.4 **Financial Condition.** The following will be true and the certificates of Bancorp and Bank referred to in Subsection 5.2.2 will so state:
- (i) All costs and expenses incurred by Bancorp and/or its Subsidiaries or owed or paid by Bancorp and/or its Subsidiaries to third parties in connection with the preparation, negotiation and execution of this Agreement and related documents and the consummation of the Transaction, including expenses incurred by Bancorp in obtaining approvals for the Transaction from regulators and shareholders but not

including expenses of obtaining the Phase I and Phase II environmental assessments required in connection with the Transaction ("Bancorp Transaction Fees") have not exceeded \$165,000. Bancorp shall deliver to Glacier a certificate, dated as of Closing, stating the total Bancorp Transaction Fees incurred, and setting forth an itemized account of such Bancorp Transaction Fees. Such certificate shall also disclose the amount of any severance payments made to Bancorp or Bank employees, and the name and title of each such employee.

- (ii) After giving effect to the payment of all Bancorp Transaction Fees and any severance payments to Bancorp or Bank employees, the Capital will not be less than \$6.074 million if Closing is on or after June 30, 2003. If the Closing occurs before June 30, 2003, the required Capital will be reduced by \$2,000 per day for each day prior to June 30, 2003. If Glacier requests balance sheet restructuring activities prior to Closing, such minimum Capital may be adjusted downward; however, no such restructuring activities will have the effect of reducing the Merger Consideration to be paid pursuant to Section 1.3 of this Agreement.
- (iii) Bank's allowance for possible loan losses will not be less than 1.5% of Bank's total outstanding loans plus an additional amount of \$200,000 (the "Closing Loan Loss Reserve"), and will be adequate to absorb Bank's anticipated loan losses.
- (iv) The reserves set aside for any contingent liabilities of Bancorp and Bank will be adequate to absorb all reasonably anticipated losses.

5.2.5 No Governmental Proceedings. No action or proceeding will have been commenced or threatened by any governmental agency to restrain or prohibit or invalidate the Transaction.

5.2.6 Execution of Additional Agreements. The employment agreement of Evelyn Meany described in Section 6 of this Agreement will have been executed and delivered to Glacier and Mountain West. The Bank Merger Agreement will have been executed and delivered to Mountain West.

5.2.7 Receipt of Title Policy. Glacier will have received the title insurance policy or policies required by Section 4.1.12 of this Agreement.

5.2.8 Transfer of Real Property/Cancellation of Leases. The transfer of the Real Property, the cancellation of Leases and the satisfaction of obligations as contemplated by Section 4.1.11 will have been completed and Bancorp and the Bank will have delivered to Glacier all documentation reasonably required to evidence consummation of such transactions, including, without limitation, all of the following:

- (i) Title reports and other documentation requested by Glacier or its counsel showing title to the Real Property vesting in the Bank; and

- (ii) Documentation reasonably satisfactory to Glacier and its counsel evidencing cancellation of the Leases and satisfaction of any obligations between Holdings and Bank or Bancorp.

5.2.9 **Corporate and Shareholder Action.** Each of the following will have approved the Transaction:

- (i) The Boards of Directors of Bancorp and Bank.
- (ii) Bancorp, as shareholder of Bank.
- (iii) The shareholders of Bancorp.

5.2.10 **Resignation of Directors.** The directors of Bancorp and Bank will have tendered their written resignations in the form attached as Exhibit A from the Board of Directors of each respective company to be effective upon consummation of the Transaction.

5.2.11 **Opinion of Counsel.** Bancorp has obtained from Keller Rohrback LLP and delivered to Glacier an opinion of counsel, substantially in the form attached to this Agreement as Exhibit D.

5.2.12 **No Change in Loan Review.** Bancorp and Bank have provided to Glacier the reports reasonably requested by Glacier under Subsection 4.1.16, and neither these reports nor any examinations conducted by Glacier under Subsection 4.1.16 reveal a change in either: (1) the information set forth in Schedule 8 or (2) information revealed during Glacier's previous examinations of the Bank's loans, which change constitutes a Material Adverse Effect.

5.2.13 **Fairness Opinion.** Bancorp shall have received from its financial advisor a written fairness opinion, dated on or about the date on which the Proxy Statement is distributed to Bancorp's shareholders, to the effect that the consideration to be received by Bancorp shareholders pursuant to Section 1.3 of this Agreement is fair to such shareholders from a financial point of view.

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

5.3.1 **Representations and Warranties.** The representations and warranties of Glacier and Mountain West contained in this Agreement or in any certificate or other instrument delivered in connection with this Agreement will be true and correct at Closing, with the same force and effect as though such representations and warranties had been made on and as of Closing, except to the extent that such representations and warranties are by their express provisions made as of a specified date, in which case such representations and warranties shall be true and correct as of such date. Glacier and Mountain West will have delivered to

Bancorp and Bank their respective certificates to that effect, executed by the chief executive officer of Glacier and dated as of Closing.

- 5.3.2 **Compliance.** Glacier and Mountain West each will have performed and complied with all terms, covenants and conditions of this Agreement on or before Closing. Glacier and Mountain West will have delivered to Bancorp and Bank their respective certificates to that effect, executed by the authorized officer of Glacier and dated as of Closing.
- 5.3.3 **No Governmental Proceedings.** No action or proceeding will have been commenced or threatened by any governmental agency to restrain or prohibit or invalidate the Transaction.
- 5.3.4 **Fairness Opinion.** Bancorp shall have received from its financial advisor a written fairness opinion, dated on or about the date on which the Proxy Statement is distributed to Bancorp's shareholders, to the effect that the consideration to be received by Bancorp shareholders pursuant to Section 1.3 of this Agreement is fair to such shareholders from a financial point of view.
- 5.3.5 **Corporate and Shareholder Action.** Each of the following will have approved the Transaction:
- (i) The Boards of Directors of Glacier and Mountain West.
 - (ii) Glacier, as shareholder of Mountain West.
- 5.3.6 **Execution of Additional Agreements.** Glacier or Mountain West will have executed and delivered the employment agreement of Evelyn Meany described in Section 6, and Mountain West will have executed and delivered the Bank Merger Agreement.

SECTION 6.

DIRECTORS, OFFICERS AND EMPLOYEES

- 6.1 **Directors.** The Directors of Bancorp and Bank will vote their shares of Bancorp Common Stock in favor of the Transaction and will to the extent consistent with past practice, preserve their existing banking relationships with the Bank at least until Closing.
- 6.2 **Officer's Employment Contract.** At or prior to execution of this Agreement, Evelyn Meany will enter into an employment contract with Mountain West, effective as of the Closing, substantially in the form attached as Exhibit E.
- 6.3 **Employee Benefit Issues.**
- 6.3.1 **Comparability of Benefits.** Glacier and Mountain West intend that their current personnel policies will apply to any current employees of Bancorp and Bank who are retained in the service of Glacier and Mountain West after

Closing. Such retained employees will be eligible to participate in all of the benefit plans of Glacier and Mountain West that are generally available to similarly situated employees of Glacier and Mountain West in accordance with and subject to the terms of such plans.

- 6.3.2 **Treatment of Past Service.** For purposes of such participation, current employees' prior service with Bancorp and/or Bank will constitute prior service with Glacier and/or Mountain West for purposes of determining eligibility and vesting (including but not limited to vacation time), but not for determining benefit accruals.
- 6.3.3 **No Contract Created.** Except as provided in Section 6.2 of this Agreement, nothing in this Agreement will give any employee a right to continuing employment.
- 6.4 **Indemnification of Directors and Executive Officers.** On and for a period of three (3) years after the Effective Date, Glacier will indemnify and defend each present and former director and executive officer of Bancorp and Bank from and against any and all claims, losses, liabilities, costs, and expenses (including reasonable attorneys' fees) arising from any of such persons' actions in such capacities on or prior to the Effective Date, to the full extent that Bancorp and/or Bank now are permitted under applicable law or under their respective articles of incorporation or bylaws in effect at the date of this Agreement. For a period of three (3) years after the Effective Date, Glacier will use reasonable efforts to cause to be maintained in effect (with reputable and financially sound insurers) director and officer liability insurance substantially similar to that maintained by Bancorp with respect to claims arising from facts or events which occurred before the Effective Date.

SECTION 7.

TERMINATION OF AGREEMENT AND ABANDONMENT OF TRANSACTION

- 7.1 **Termination.** This Agreement and the Transaction may be terminated at any time before Closing, whether before or after approval of this Agreement by the shareholders of Bancorp, Bank and Mountain West, as follows, and in no other manner:
- 7.1.1 **Mutual Consent.** By mutual consent of the parties to this Agreement, if the Board of Directors of each such party so determines by a vote of a majority of the members of its entire Board.
- 7.1.2 **Satisfaction of Conditions.** By Bancorp and Bank or by Glacier and Mountain West at any time if the condition set forth in Sections 5.1 (Required Approvals) of this Agreement is rendered impossible to be satisfied on or by September 30, 2003 (other than as a result of a breach of this Agreement by such party).
- 7.1.3 **Transaction Not Consummated; Extension; Additional Merger Consideration.** By Glacier and Mountain West or by Bancorp and Bank if the Transaction is not consummated on or by September 30, 2003, provided that the failure to consummate the Transaction on or by September 30, 2003 is not due

to a breach of this Agreement by the party seeking to terminate. If the Closing occurs after July 31, 2003 for reasons that are not the fault of Bancorp or Bank, the Total Merger Consideration set forth in Section 1.3.1 will be increased by \$2,000 for each calendar day between July 31, 2003 and Closing.

7.1.4 Breach. By Bancorp and Bank or by Glacier and Mountain West in the event of a material breach of any representation, warranty, covenant or agreement contained in this Agreement, which breach would result in the failure to satisfy the closing condition set forth in Sections 5.1, 5.3.1, or 5.3.2, in the case of Bancorp and Bank, or Section 5.1, 5.2.1, or 5.2.2, in the case of Glacier and Mountain West, and which breach cannot be cured within 30 days after written notice of such breach is given by the non-breaching party to the party committing such breach.

- (i) **Liquidated Damages.** Due to the expenses, direct and indirect, incurred by each party in negotiating and executing this Agreement and in taking steps to effect the Transaction, if the Transaction is terminated by reason of a breach by a party of this Agreement described in Section 7.1.4 or because a party does not use its best efforts to consummate the Transaction or a party fails to timely perform its obligations under this Agreement (a "Breaching Party"), the Breaching Party will pay the non-Breaching Party as liquidated damages an amount equal to two-hundred fifty thousand dollars (\$250,000.00). The parties agree that the foregoing amount is reasonable and represents an estimate of the actual damages to be suffered by the non-Breaching Party in the event of a breach. The liquidated damages will be due and payable within three (3) Business Days of the non-Breaching Party's written demand. Payment of the liquidated damages will constitute complete reimbursement for the non-Breaching Party's direct and indirect expenses incurred in proceeding with the Transaction.

7.1.5 Rejection by Bancorp Shareholders. By Bancorp if its shareholders fail to approve the Transaction by the requisite vote at a duly held meeting of such shareholders or at any adjournment or postponement of such meeting.

7.2 Cost Allocation Upon Termination. In connection with the termination of this Agreement, Bancorp, Bank, Glacier and Mountain West each will pay their own out-of-pocket costs incurred in connection with this Agreement, and will have no other liability to any other party except as provided in this Agreement; provided, however, that no party to this Agreement shall be relieved or released from any liabilities or damages arising under this Agreement or out of its intentional or willful breach of any provision of this Agreement or by a lack of good faith efforts that result in the failure to perform or fulfill any representation, warranty, covenant or condition set forth in this Agreement.

**SECTION 8.
MISCELLANEOUS**

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

Glacier Bancorp, Inc./
Mountain West Bank

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

with a copy to:

Stephen M. Klein, Esq.
Michael A. Raskasky, Esq.
Graham & Dunn, P.C.
Pier 70
2801 Alaskan Way Suite 300
Seattle, WA 98121-1128

Pend Oreille Bancorp/Pend Oreille
Bank/Real Estate Holdings, Inc.

Pend Oreille Bancorp
476655 Highway 95 North
Sandpoint, Idaho 83864
Attn: Evelyn Meany

or

Pend Oreille Bancorp
P.O. Box 1530
Newport, WA 99156 – 1530
Attn: Evelyn Meany

with a copy to:

Glen P. Garrison, Esq.
Keller Rohrback LLP
1201 Third Avenue, Suite 3200
Seattle, Washington 98101

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

8.2 Waivers and Extensions. Bancorp, Bank, Glacier or Mountain West may, by, written instrument, extend the time for the performance of any of the obligations or other acts of any other party, and may waive:

- (i) any inaccuracies of any other party in the representations and warranties contained in this Agreement or in any document delivered in connection with this Agreement;

- (ii) compliance with any of the covenants of any other party; and
- (iii) any other party's performance of any obligations pursuant to this Agreement and any other condition precedent set out in Section 5 of this Agreement.

Any waiver or extension pursuant to this Agreement will be executed by the President of Bancorp or Bank, and by an officer of the title of Executive Vice President or higher of any other party so electing.

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

8.4 Survival of Representations, Warranties, and Covenants. The representations, warranties and covenants set forth in this Agreement will not survive Closing or the termination of this Agreement, except that (i) Section 4.9 (Confidentiality), Section 7.1.4(i) (Liquidated Damages) and this Section 8 (Miscellaneous) will survive termination; (ii) the representations and covenants will survive termination for the purpose of the determination of the breach of the party which resulted in termination or non-consummation of the Transaction; and (iii) the covenants in this Agreement (including but not limited to those of Glacier as Paying Agent), that expressly impose obligations on a party following the Effective Date, will survive the Effective Date.

8.5 Attorneys' Fees and Costs. In the event of any dispute or litigation with respect to the terms and conditions or enforcement of rights or obligations arising by reason of this Agreement or the Transaction, the substantially prevailing party in any such litigation will be entitled to reimbursement from the other party of its costs and expenses, including reasonable attorneys' fees.

8.6 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of Idaho, except to the extent that certain matters may be governed by federal law.

8.7 Severability. If a court determines that any term of this Agreement is invalid or unenforceable under applicable law, the remainder of this Agreement will not be affected thereby, and each remaining term will continue to be valid and enforceable to the fullest extent permitted by law.

- 8.8 **Waiver.** Failure by any party to insist on strict compliance by the other party with any of its obligations, agreements or conditions under this Agreement, does not, without a writing, operate as a waiver or estoppel with respect to that or any other obligation, agreement, or condition.

SECTION 9. AMENDMENTS

Subject to applicable law, this Agreement and the form of any attached Exhibit or Schedule may be amended upon authorization of the boards of directors of Bancorp, Bank, Glacier and Mountain West, whether before a or after the meeting of shareholders referred to in Section 4.2 of this Agreement; provided, however, that after approval by Bancorp's shareholders, no amendment will be made changing the form or reducing the amount of consideration to be received by the shareholders of Bancorp without the further approval of such shareholders. All amendments, modifications, extensions and waivers must be in writing and signed by the party agreeing to the amendment, modification, extension or waiver.

[signatures on next page]

DATED this 24th day of April, 2003.

Attest:

James H. Strossell
Secretary

GLACIER BANCORP, INC.

By: Michael J. Blodnick
Michael J. Blodnick
Its: President and Chief Executive Officer

Attest:

Secretary

MOUNTAIN WEST BANK

By: _____
Jon W. Hippler
Its: President and Chief Executive Officer

Attest:

Secretary

PEND OREILLE BANCORP

By: _____
Evelyn Meany
Its: President and Chief Executive Officer

Attest:

Secretary

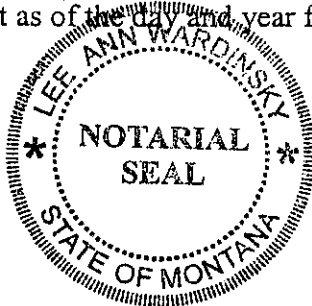
PEND OREILLE BANK

By: _____
Evelyn Meany
Its: President and Chief Executive Officer

STATE OF Montana)
COUNTY OF Flathead) ss.

On this 24th day of April, 2003, before me personally appeared MICHAEL J. BLODNICK, to me known to be the President and Chief Executive Officer of Glacier Bancorp, Inc., the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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



Lee Ann Wardenski
NOTARY PUBLIC in and for the State of
Montana, residing at Kalispell
My Commission expires: 7-21-2003

STATE OF _____)
COUNTY OF _____) ss.

On this 24th day of April, 2003, before me personally appeared JON W. HIPPLER, to me known to be the President and Chief Executive Officer of Mountain West Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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

NOTARY PUBLIC in and for the State of _____
_____, residing at _____
My Commission expires: _____

STATE OF _____)
COUNTY OF _____) ss.

On this 24th day of April, 2003, before me personally appeared EVELYN MEANY, to me known to be the President and Chief Executive Officer of Pend Oreille Bancorp and Pend

DATED this 24th day of April, 2003.

Attest:

GLACIER BANCORP, INC.

Secretary

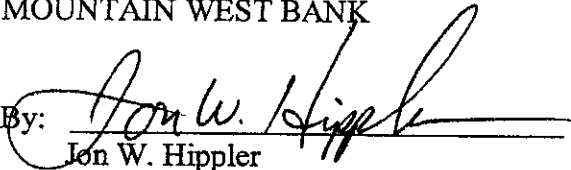
By: _____
Michael J. Blodnick
Its: President and Chief Executive Officer

Attest:

MOUNTAIN WEST BANK



Secretary

By: 
Jon W. Hippler
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANCORP

Secretary

By: _____
Evelyn Meany
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANK

Secretary

By: _____
Evelyn Meany
Its: President and Chief Executive Officer

STATE OF _____)
) ss.
COUNTY OF _____)

On this 24th day of April, 2003, before me personally appeared MICHAEL J. BLODNICK, to me known to be the President and Chief Executive Officer of Glacier Bancorp, Inc., the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

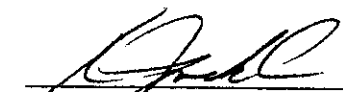
IN WITNESS OF THE FOREGOING, I have set my hand and official seal to this document as of the day and year first written above.

NOTARY PUBLIC in and for the State of _____
residing at _____
My Commission expires: _____

STATE OF Idaho)
) ss.
COUNTY OF Porterai)

On this 24th day of April, 2003, before me personally appeared JON W. HIPPLER, to me known to be the President and Chief Executive Officer of Mountain West Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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



NOTARY PUBLIC in and for the State of Idaho, residing at 220 Lakeview Dr.
My Commission expires: 5-11-04

STATE OF _____)
) ss.
COUNTY OF _____)

On this 24th day of April, 2003, before me personally appeared EVELYN MEANY, to me known to be the President and Chief Executive Officer of Pend Oreille Bancorp and Pend

DATED this 24th day of April, 2003.

Attest:

GLACIER BANCORP, INC.

Secretary

By: _____
Michael J. Blodnick
Its: President and Chief Executive Officer

Attest:

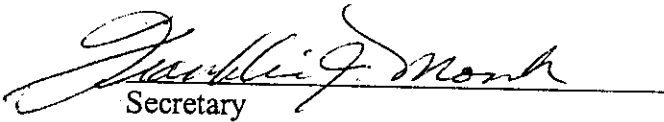
MOUNTAIN WEST BANK

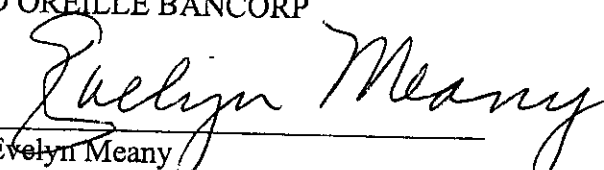
Secretary

By: _____
Jon W. Hippler
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANCORP

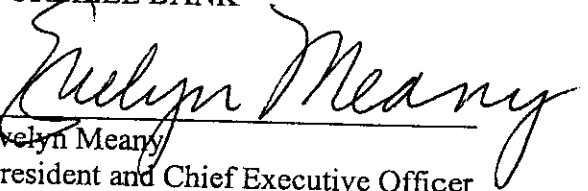

Secretary

By: 
Evelyn Meany
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANK


Secretary

By: 
Evelyn Meany
Its: President and Chief Executive Officer

STATE OF _____)
) ss.
COUNTY OF _____)

On this 24th day of April, 2003, before me personally appeared MICHAEL J. BLODNICK, to me known to be the President and Chief Executive Officer of Glacier Bancorp, Inc., the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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

NOTARY PUBLIC in and for the State of _____
_____, residing at _____
My Commission expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

On this 24th day of April, 2003, before me personally appeared JON W. HIPPLER, to me known to be the President and Chief Executive Officer of Mountain West Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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

NOTARY PUBLIC in and for the State of _____
_____, residing at _____
My Commission expires: _____

STATE OF Wa)
) ss.
COUNTY OF Pend Oreille)

On this 24th day of April, 2003, before me personally appeared EVELYN MEANY, to me known to be the President and Chief Executive Officer of Pend Oreille Bancorp and Pend

Oreille Bank, the corporations that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporations, for the uses and purposes mentioned there, and who stated on oath that she was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporations.

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

Joan E. Corbell
NOTARY PUBLIC in and for the State of
WA, residing at Newport
My Commission expires: 2-20-08

EXHIBITS A, B D & E NOT INCLUDED

BANK MERGER AGREEMENT

This Bank Merger Agreement ("Agreement"), dated as of April 24, 2003, is made by and between Mountain West Bank ("Mountain West") and Pend Oreille Bank ("Bank").

RECITALS

A. Mountain West, a wholly owned subsidiary of Glacier Bancorp, Inc. ("Glacier"), is an Idaho state-chartered bank. The names and locations of Mountain West's principal office and all other offices and branches are listed in Schedule A.

B. Bank, a wholly owned subsidiary of Pend Oreille Bancorp ("Bancorp"), is an Idaho state-chartered bank. The names and locations of Bank's principal office and all other offices and branches are listed in Schedule A.

C. Glacier and Bancorp have entered into a Plan and Agreement of Merger of even date herewith, pursuant to which Bancorp will merge with and into Glacier (the "Holding Company Merger"). Simultaneous with the Holding Company Merger, Glacier and Bancorp wish to merge Mountain West and the Bank pursuant to this Agreement.

D. The Boards of Directors of Bank and Mountain West have each approved this Agreement and authorized its execution and delivery.

AGREEMENT

1. MERGER TERMS.

1.1 Merger. Subject to the terms of this Agreement, Bank will merge with and into Mountain West ("Merger"), and after the Merger, Mountain West will be the surviving bank ("Resulting Bank").

1.2 Closing. Closing of the Merger ("Closing") will take place at 5:00 p.m. ("Effective Time") on the Closing Date. The Closing Date will be a mutually agreed date following approval of the Merger in accordance with Sections 3 and 4 and expiration of all applicable waiting periods.

1.3 Transaction. At the Effective Time, under the Idaho Bank Act, Title 26 of the Idaho Code, and related rules and regulations:

(a) Bank Shares. All shares of Bank capital stock issued and outstanding immediately before the Effective Time will be canceled.

(b) Mountain West Shares. All shares of Mountain West capital stock issued and outstanding immediately before the Effective Time will continue as issued and outstanding shares of the Resulting Bank.

(c) Capital. The amount of capital and the number and par value of shares of the Resulting Bank at the Effective Time are set forth in Schedule B.

EXHIBIT C

- (d) Dissenting Shares. No shares of Resulting Bank will need to be disposed as the result of dissenting shareholders, since the Merger will not be consummated if either sole shareholder of Mountain West or Bank declines to approve this Agreement.

1.4 Resulting Bank. The Resulting Bank's name will be "Mountain West Bank." Mountain West's charter, articles of incorporation, and bylaws will become the Resulting Bank's charter, articles of incorporation, and bylaws, and are not being amended as part of the Merger. Mountain West's principal office will become the Resulting Bank's principal office, and all other offices of Mountain West and Bank, listed in Schedule A, will become offices of the Resulting Bank. The Resulting Bank will be a wholly owned subsidiary of Glacier, with the same number of issued and outstanding shares as the issued and outstanding shares of Mountain West immediately before the Effective Time.

1.5 Resulting Bank Directors. The names and residences of the members of the Resulting Bank's Board of Directors (collectively, "Resulting Directors"), effective at the Effective Time, are listed in Schedule C. The Resulting Directors will serve on the Resulting Bank's Board of Directors until the next annual meeting of the Resulting Bank's shareholder or until their successors have been elected and qualified. Nothing in this Subsection 1.5 or this Agreement restricts in any way any rights of the Resulting Bank's shareholder and directors at any time after the Effective Time to nominate, elect, select or remove the Resulting Bank's directors.

1.6 Resulting Bank Officers. The names and residences of the Resulting Bank's officers (collectively, "Resulting Officers") are listed in Schedule C. Nothing in this Subsection 1.6 or this Agreement restricts in any way any rights of the Resulting Bank's directors at any time after the Effective Time to nominate, elect, select or remove the Resulting Officers.

2. SHAREHOLDER APPROVAL

The Merger and this Agreement are subject to approval by Glacier, as Mountain West's sole shareholder, and by Bancorp, as Bank's sole shareholder. If either Glacier or Bancorp does not approve the Merger and this Agreement, this Agreement is void, and the parties are relieved of their obligations and responsibilities under this Agreement.

3. DIRECTOR APPROVAL

The Merger and this Agreement are subject to approval by the Director of the Idaho Department of Finance (the "Director"). If the Director does not approve the Merger and this Agreement, this Agreement is void, and the parties are relieved of their obligations and responsibilities under this Agreement.

EXHIBIT C

4. OTHER APPROVALS.

The Merger and this Agreement are subject to approval by the Federal Deposit Insurance Corporation and all other regulatory agencies having jurisdiction with respect to the Merger. If these agencies do not approve the Merger and this Agreement, this Agreement is void, and the parties are relieved of their obligations and responsibilities under this Agreement.

5. TERMINATION.

The parties may terminate this Agreement at any time before the Closing Date by mutual consent.

6. MISCELLANEOUS PROVISIONS.

- 6.1 Binding Effect. This Agreement is binding and inures to the benefit of the parties and their respective successors and assigns.
- 6.2 Assignment. The parties may not assign this Agreement or any rights under this Agreement, unless the other parties consent in writing to the assignment.
- 6.3 Amendment and Waiver. Except as this Agreement otherwise expressly provides, it contains the parties' entire understanding. No modification or amendment of its terms or conditions is effective unless in writing and signed by the parties, or their respective duly authorized agents.
- 6.4 Section Headings. The section headings included in this Agreement are for reference and convenience only and are not a substantive part of this Agreement.
- 6.5 Counterparts. This Agreement may be executed in one or more counterparts. Each of these counterparts are deemed an original, and all counterparts taken together constitute one and the same document.
- 6.6 Governing Law. The parties intend this Agreement to be governed by the laws of the state of Idaho, except to the extent Federal law may govern certain matters.

[signatures on next page]

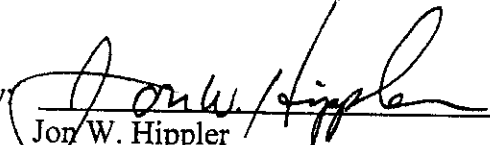
DATED as of the day and year first above written.

Attest:

MOUNTAIN WEST BANK



Kim Jacklin, VP/Corporate Secretary

By: 

Jon W. Hippler
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANK

Secretary

By: _____
Evelyn Meany
Its: President and Chief Executive Officer

STATE OF Idaho)
COUNTY OF Kootenai) ss.

On this 24th day of April, 2003, before me personally appeared JON W. HIPPLER, to me known to be the President and Chief Executive Officer of Mountain West Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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

[Signature]
NOTARY PUBLIC in and for the State of
Idaho, residing at 220 Lakeview Dr.
My Commission expires: 5/11/04

STATE OF _____)
COUNTY OF _____) ss.

On this 24th day of April, 2003, before me personally appeared EVELYN MEANY, to me known to be the President and Chief Executive Officer of Pend Oreille Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that she was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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

NOTARY PUBLIC in and for the State of
_____, residing at _____
My Commission expires: _____

EXHIBIT C

DATED as of the day and year first above written.

Attest:

MOUNTAIN WEST BANK

Secretary

By: _____

Jon W. Hippler

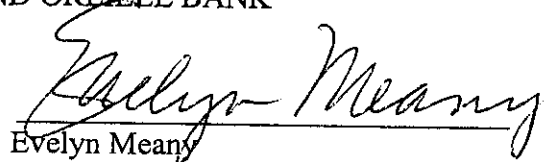
Its: President and Chief Executive Officer

Attest:

PEND OREILLE BANK


Secretary

By: _____


Evelyn Meany

Its: President and Chief Executive Officer

EXHIBIT C

STATE OF _____)
) ss.
COUNTY OF _____)

On this 24th day of April, 2003, before me personally appeared JON W. HIPPLER, to me known to be the President and Chief Executive Officer of Mountain West Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that he was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

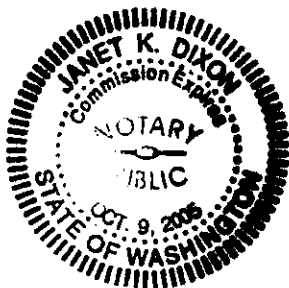
IN WITNESS OF THE FOREGOING, I have set my hand and official seal to this document as of the day and year first written above.

NOTARY PUBLIC in and for the State of _____
_____, residing at _____
My Commission expires: _____

STATE OF Washington)
) ss.
COUNTY OF Bend Oreille)

On this 24th day of April, 2003, before me personally appeared EVELYN MEANY, to me known to be the President and Chief Executive Officer of Pend Oreille Bank, the corporation that executed the foregoing instrument, who acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes mentioned there, and who stated on oath that she was authorized to execute said instrument, and that the seal affixed (if any) was the official seal of said corporation.

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



Janet K. Dixon
NOTARY PUBLIC in and for the State of _____
Wash, residing at Brent River ID
My Commission expires: 10-9-05

EXHIBIT C

SCHEDULE A

Mountain West Bank Offices

Principal Office:

125 Ironwood Drive
Coeur d'Alene, ID 83814

Northern Idaho Branches:

Hayden Branch
305 W. Prairie Avenue
Hayden, Idaho 83835

Post Falls Branch

709 E. Seltice Way
Post Falls, Idaho 83854

Wood River Valley Branches:

Hailey Branch
206 N. Main
Hailey, Idaho 83333

Ketchum Branch

491 Sun Valley Road
Ketchum, Idaho 83340

Treasure Valley Branches:

Boise Cole Road Branch
80 S. Cole
Boise, Idaho 83709

Boise 16th Street Branch

433 N. 16th Street
Boise, Idaho 83702

Meridian Branch

2970 E. St. Lukes Drive
Meridian, Idaho 83642

Nampa Branch

2024 Caldwell Boulevard
Nampa, Idaho 83651

Utah Branches:

Brigham City Branch
110 S. Main
Brigham City, Utah 84302

Park City Branch

1776 Park Avenue Suite 101
Park City, Utah 84060

Pend Oreille Bank Offices

Principal Office:

476655 Highway 95 north
Sandpoint, ID 83864

Sandpoint Branch

201 E. Superior Street
Suite A
Sandpoint, ID 83864

Newport Branch

330 North Washington Street
Newport, WA 99156

EXHIBIT C

SCHEDULE B

RESULTING BANK CAPITAL

The Resulting Bank will have 1,500,000 authorized shares of common stock, \$2.50 par value per share (no other class of capital stock being authorized), of which 715,472 shares will be issued and outstanding. As of the Effective Time, the Resulting Bank will have capital of not less than \$52.5 million, divided into capital stock of \$1.788, surplus of \$42 million, and other capital accounts of \$8.712 million.

EXHIBIT C

SCHEDULE C

RESULTING BANK DIRECTORS AND OFFICERS

<u>NAME</u>	<u>RESIDENCE</u>
Jon W. Hippler <i>President, Chief Executive Officer & Director</i>	1636 Packsaddle Drive Coeur d'Alene, ID 83814
Dan Price <i>Executive Vice President, Southern Region</i>	3597 W. Spruce Creek Dr. Meridian, ID 83814
Evelyn Meany <i>Executive Vice President & Director</i>	427 Bayview Blvd. Newport, WA 99156
Diane Reed <i>Senior Vice President, Residential Real Estate</i>	15000 N. Revere Ct. Hayden, ID 83835
Ronn C. Rich <i>Senior Vice President, Chief Financial Officer</i>	2600 Lookout Drive (P.O Box 2256) Coeur d'Alene, ID 83814
Paula Smyly <i>Senior Vice President, North Idaho Commercial Lending</i>	2011 N. Fairway Dr. Coeur d'Alene, ID 83814
Michael J. Blodnick <i>Director</i>	475 Third Avenue Kalspell, MT 59901
Dennis Downer <i>Director</i>	920 Houston Road Boise, ID 83706
Bradley Dugdale <i>Director</i>	2020 Canyon Drive Coeur d'Alene, ID 83814
Jim English <i>Director</i>	9765 Easy Street Hayden, ID 83835
Steve Giacobbi <i>Director</i>	213 Teal Drive Hailey, ID 83333
Stephen Meyer <i>Director</i>	10500 Hayden Bluff Lane Hayden Lake, ID 83835
Marilyn Montgomery <i>Director</i>	9400 Clarkview Point Hayden Lake, ID 83835
Charles Nipp <i>Chairman</i>	2025 South Riverwood Drive Coeur d'Alene, ID 83814
Doug Parker <i>Director</i>	6515 Highview Drive Coeur d'Alene, ID 83814

EXHIBIT C

J. Michael Patano
Director

Don Shepherd
Director

Thomas K. Thilo
Director

South 355 Hidden Cove Road
Coeur d'Alene, ID 83814

520 Bayhill Drive
Nampa, ID 83686

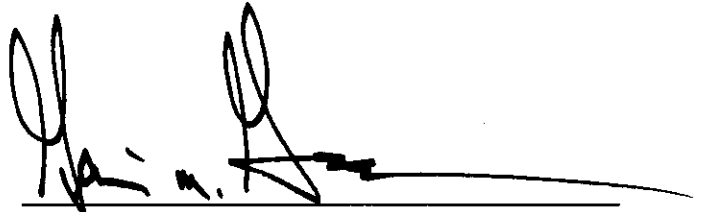
3659 Buckskin Road
Coeur d'Alene, ID 83815

CERTIFICATE OF APPROVAL

Secretary of State
State of Idaho
Statehouse
Boise, Idaho

This is to certify that I, the undersigned, Director of Finance, State of Idaho, do hereby approve for filing the attached Certificate and Articles of Merger of Pend Oreille Bank with and into Mountain West Bank dated the 15th day of July, 2003.

DATED This 15th day of July, 2003.

A handwritten signature in black ink, appearing to read 'Gavin M. Gee', is written over a horizontal line. The signature is stylized with large, looped letters.

Gavin M. Gee
Director of Finance