METHANEX CORP
Form 6-K
March 16, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF MARCH 2017
COMMISSION FILE NUMBER 0-20115

METHANEX CORPORATION
(Registrant's name)

SUITE 1800, 200 BURRARD STREET, VANCOUVER, BC V6C 3M1 CANADA
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F ¨ Form 40-F ý
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

IMPORTANT INFORMATION FOR SHAREHOLDERS

Notice of the Annual and Special Meeting of Shareholders
and
Information Circular
March 3, 2017

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March 3, 2017

INVITATION TO SHAREHOLDERS

On behalf of the Board of Directors of Methanex Corporation, I would like to invite you to join us at our Annual and Special Meeting of shareholders. The meeting will be held at the Vancouver Convention Centre - East Building in Vancouver, British Columbia on Thursday, April 27, 2017 at 11:00 a.m.
The meeting is a great opportunity to learn about our strategy for the future and review our 2016 performance. Attending the meeting also provides you with an excellent opportunity to meet our directors and senior management and ask them any questions you may have.
We hope that you will attend this Annual and Special Meeting and we look forward to seeing you there. If you are unable to attend, the meeting will also be webcast live on the Investor Relations section of our website: www.methanex.com.
Sincerely,

John Floren
President and Chief Executive Officer

METHANEX CORPORATION
NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting (the "Meeting") of the shareholders of Methanex Corporation (the "Company") will be held at the following time and place:

DATE: Thursday, April 27, 2017

TIME: 11:00 a.m. (Pacific Time)

PLACE: East Meeting Room 1
Vancouver Convention Centre - East Building
999 Canada Place
Vancouver, British Columbia

The Meeting is being held for the following purposes:

1. to receive the Consolidated Financial Statements of the Company for the financial year ended December 31, 2016 and the Auditors' Report on such statements;
2. to elect directors;
3. to reappoint the auditors and authorize the Board of Directors to fix the remuneration of the auditors;
4. to consider and approve, on an advisory basis, a resolution to accept the Company's approach to executive compensation disclosed in the accompanying Information Circular;
5. to consider and, if thought fit, pass an ordinary resolution to amend the Company's Stock Option Plan to authorize the issuance of an additional 3,000,000 common shares of the Company pursuant to the exercise of stock options issued thereunder, the full text of which resolution is set out in Schedule A to the accompanying Information Circular; and
6. to transact such other business as may properly come before the Meeting.

If you hold common shares of the Company and do not expect to attend the Meeting in person, please complete the enclosed proxy form and either fax it to 1 416 368 2502 or toll-free in North America to 1 866 781 3111 or forward it to CST Trust Company using the envelope provided with these materials. Proxies must be received no later than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for commencement of the Meeting or any postponement or adjournment thereof.

DATED at the City of Vancouver, in the Province of British Columbia, this 3rd day of March, 2017.

BY ORDER OF THE BOARD OF DIRECTORS
Kevin Price
General Counsel & Corporate Secretary

METHANEX CORPORATION
INFORMATION CIRCULAR
Information contained in this Information Circular is given as at March 3, 2017 unless otherwise stated.
PART I VOTING
Solicitation of proxies
This Information Circular is provided in connection with the solicitation of proxies by or on behalf of the management and Board of Directors (the "Board") of Methanex Corporation (the "Company", "we" or "our", as applicable) for use at the Annual and Special Meeting (the "Meeting") of the shareholders of the Company to be held at the time and place (including any adjournment or postponement thereof) and for the purposes described in the accompanying Notice of Annual and Special Meeting of Shareholders.
It is anticipated that this Information Circular and the accompanying proxy form will be mailed on or about March 16, 2017 to holders of common shares of the Company ("Common Shares").
What will be voted on at the Meeting?
Shareholders will be voting on those matters that are described in the accompanying Notice of Annual and Special Meeting of Shareholders. The Notice includes all the matters to be presented at the Meeting that are presently known to management. A simple majority (that is, greater than 50%) of the votes cast, in person or by proxy, will constitute approval of these matters, other than the election of directors and the appointment of auditors.
Who is entitled to vote?
Only registered holders of Common Shares ("Registered Shareholders") at the close of business on February 27, 2017 (the "Record Date") are entitled to vote at the Meeting or at any adjournment or postponement thereof. Each Registered Shareholder will have one vote for each Common Share held at the close of business on the Record Date. As of March 3, 2017, there were 89,842,838 Common Shares outstanding. To the knowledge of the directors and senior officers of the Company, the only persons who beneficially owned, directly or indirectly, or exercised control or direction over, Common Shares carrying 10% or more of the voting rights of the Company were M&G Investment Management Limited ("M&G") and Wellington Management Group LLP ("Wellington"). Based on information filed by M&G on December 31, 2016, M&G held 17,510,018 Common Shares. Based on information filed by Wellington on December 31, 2016, Wellington held 10,334,185 Common Shares[(1)].
Can I vote Common Shares that I acquired after the Record Date (February 27, 2017)?
No. Only Common Shares that are held by a shareholder at the close of business on the Record Date are entitled to be voted at the Meeting.
How do I vote?
If you are a Registered Shareholder, there are two ways in which you can vote your Common Shares. You can either vote by proxy or vote in person at the Meeting.

(1) Shares owned by M&G and Wellington may include shares owned by certain of their affiliates and associates.

Voting by proxy

If you do not plan to come to the Meeting, you can have your vote counted by appointing someone who will attend the Meeting as your proxyholder. In the proxy, you can either direct your proxyholder as to how you want your Common Shares to be voted or let your proxyholder choose for you. You can always revoke your proxy if you decide to attend the Meeting and wish to vote your Common Shares in person.

Voting in person

Registered Shareholders who will attend the Meeting and wish to vote their Common Shares in person should not complete a proxy form. Your vote will be taken and counted at the Meeting. Please register with the transfer agent, CST Trust Company, when you arrive at the Meeting.

What if I am not a Registered Shareholder?

Many shareholders are “non-registered shareholders.” Non-registered shareholders are shareholders whose shares are registered in the name of an intermediary (such as a bank, trust company, securities broker, trustee or custodian). Unless you have previously informed your intermediary that you do not wish to receive materials relating to the Meeting, you should receive or have already received from your intermediary either a request for voting instructions or a proxy form.

Intermediaries have their own mailing procedures and provide their own instructions to shareholders. These procedures may allow you to provide your voting instructions by telephone, on the Internet, by mail or by fax. You should carefully follow the directions and instructions received from your intermediary to ensure that your Common Shares are voted at the Meeting.

If you wish to vote in person at the Meeting, you should follow the procedure in the directions and instructions provided by or on behalf of your intermediary. You will not need to complete any voting or proxy form as your vote will be taken at the Meeting. Please register with the transfer agent, CST Trust Company, when you arrive at the Meeting.

What is a proxy?

A proxy is a document that authorizes someone else to attend the Meeting and cast your votes for you. Registered Shareholders may use the enclosed proxy form, or any other valid proxy form, to appoint a proxyholder. The enclosed proxy form authorizes the proxyholder to vote and otherwise act for you at the Meeting, including any continuation after the adjournment or postponement of the Meeting.

If you are a Registered Shareholder and you complete the enclosed proxy, your Common Shares will be voted as instructed. If you do not mark any boxes, your proxyholder can vote your shares at his or her discretion. See “How will my Common Shares be voted if I give my proxy?” below.

How do I appoint a proxyholder?

Your proxyholder is the person you appoint and name on the proxy form to cast your votes for you. You can choose anyone you want to be your proxyholder. Your proxyholder does not have to be another shareholder. Just fill in the person’s name in the blank space provided on the enclosed proxy form or complete any other valid proxy form and deliver it to CST Trust Company within the time specified below for receipt of proxies.

If you leave the space on the proxy form blank, either Thomas Hamilton or John Floren, both of whom are named in the form, are appointed to act as your proxyholder. Mr. Hamilton is Chairman of the Board and Mr. Floren is the President and Chief Executive Officer of the Company.

For the proxy to be valid, it must be completed, dated and signed by the Registered Shareholder (or the Registered Shareholder’s attorney as authorized in writing) and then delivered to the Company’s transfer agent, CST Trust Company, in the envelope provided or by fax to 1 416 368 2502 or toll-free in North America to 1 866 781 3111 and received no later than 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment or postponement thereof.

How will my Common Shares be voted if I give my proxy?

If you have properly filled out, signed and delivered your proxy, then your proxyholder can vote your shares for you at the Meeting. If you have specified on the proxy form how you want to vote on a particular issue (by marking FOR, AGAINST or WITHHOLD), then your proxyholder must vote your Common Shares accordingly.

If you have not specified how to vote on a particular issue, then your proxyholder will vote your Common Shares as he or she sees fit. However, if you have not specified how to vote on a particular issue and Mr. Hamilton or Mr. Floren has been appointed as proxyholder, your Common Shares will be voted in favour of all resolutions proposed by management. For more information on these resolutions, see "Part II BUSINESS OF THE MEETING."

The enclosed form of proxy confers discretionary authority upon the proxyholder you name with respect to amendments or variations to the matters identified in the accompanying Notice of Annual and Special Meeting of Shareholders and any other matters that may properly come before the Meeting. If any such amendments or variations are proposed to the matters described in the Notice, or if any other matters properly come before the Meeting, your proxyholder may vote your Common Shares as he or she considers best.

How do I revoke a proxy?

Only Registered Shareholders have the right to revoke a proxy. Non-registered shareholders who wish to change their voting instructions must, in sufficient time in advance of the Meeting, arrange for their intermediaries to change their vote and if necessary revoke their proxy.

If you are a Registered Shareholder and you wish to revoke your proxy after you have delivered it, you can do so at any time before it is used. You or your authorized attorney may revoke a proxy by (i) clearly stating in writing that you want to revoke your proxy and delivering this revocation by mail to Proxy Department, CST Trust Company, P.O. Box 721, Agincourt, ON M1S 0A1, Canada or by fax to 1 416 368 2502 or toll-free in North America to 1 866 781 3111, or by mail to the registered office of the Company, Suite 1800, 200 Burrard Street, Vancouver, BC V6C 3M1, Canada, Attention: Corporate Secretary, or by fax to the Company to 1 604 661 2602, at any time up to and including the last business day preceding the day of the Meeting or any adjournment or postponement thereof or (ii) in any other manner permitted by law. Revocations may also be hand-delivered to the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof. Such revocation will have effect only in respect of those matters upon which a vote has not already been cast pursuant to the authority confirmed by the proxy. If you revoke your proxy and do not replace it with another in the manner described in "How do I appoint a proxyholder?" above, you will be able to vote your Common Shares in person at the Meeting.

Who pays for this solicitation of proxies?

The cost of this solicitation of proxies is paid by the Company. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally or by telephone or other means of communication by directors and regular employees of the Company without special compensation. In addition, the Company may retain the services of agents to solicit proxies on behalf of its management. In that event, the Company will compensate any such agents for such services, including reimbursement for reasonable out-of-pocket expenses, and will indemnify them in respect of certain liabilities that may be incurred by them in performing their services. The Company may also reimburse brokers or other persons holding Common Shares in their names, or in the names of nominees, for their reasonable expenses in sending proxies and proxy material to beneficial owners and obtaining their proxies.

Who counts the votes?

The Company's transfer agent, CST Trust Company, counts and tabulates the proxies. This is done independently of the Company to preserve confidentiality in the voting process. Proxies are referred to the Company only in cases where a shareholder clearly intends to communicate with management or when it is necessary to do so to meet legal requirements.

How do I contact the transfer agent?

If you have any inquiries, you can contact the Company's principal registrar and transfer agent, CST Trust Company, as follows:

Email:	inquiries@canstockta.com
Toll-free:	1 800 387 0825
Telephone:	1 416 682 3860
Mail:	CST Trust Company PO Box 700 Station B Montreal, Quebec H3B 3K3

The Company's co-registrar and co-transfer agent in the United States is American Stock Transfer & Trust Company LLC; however, all shareholder inquiries should be directed to CST Trust Company.

PART II BUSINESS OF THE MEETING

RECEIVE THE FINANCIAL STATEMENTS

The Company's consolidated financial statements for the year ended December 31, 2016 will be received by shareholders of the Company at the Meeting and are included in the Annual Report, which has been mailed to Registered Shareholders as required under the Canada Business Corporations Act (the "CBCA") and to non-registered shareholders who have requested such financial statements.

ELECTION OF DIRECTORS

The directors of the Company are elected each year at the annual general meeting of the Company and hold office until the close of the next annual general meeting or until their successors are elected or appointed in accordance with applicable law. The Company has a majority voting policy for election of directors that is described on page 26. The articles of the Company provide that the Company must have a minimum of 3 and a maximum of 15 directors. The by-laws of the Company state that, when the articles of the Company provide for a minimum and maximum number of directors, the number of directors within the range may be determined from time to time by resolution of the Board. The Board, on an annual basis, considers the size of the Board. On March 3, 2017, the directors resolved that the Board shall consist of 12 directors, such size being consistent with effective decision-making.

The Corporate Governance Committee recommends to the Board nominees for election as directors through a process described on page 24, under the heading "Nominating Committee and Nomination Process." The persons listed below are being proposed for nomination for election at the Meeting. The persons named as proxyholders in the accompanying proxy, if not expressly directed otherwise, will vote the Common Shares for which they have been appointed proxyholder in favour of electing those persons listed below as nominees for directors.

The following table sets out the names, ages and places of residence of all the persons to be nominated for election as directors of the Board, along with other relevant information, including the number and market value of Common Shares, Deferred Share Units ("DSUs") and Restricted Share Units ("RSUs") held by each of them as at the date of this Information Circular and which standing committees (each a "Committee") of the Board directors are members. In the case of Mr. Floren, who is President & CEO of the Company, the table also includes the number of Performance Share Units ("PSUs") that he holds. Information regarding Mr. Floren's options-based awards and other holdings can be found in the "Outstanding Option-Based Awards and Share-Based Awards" table on page 56. The following table also sets out whether a nominee is independent or not independent. All amounts are in Canadian dollars.

BRUCE AITKEN

Age: 62

Auckland, New Zealand

Director since: July 2004

Independent

Committee memberships as at the date of the Information Circular:

- Public Policy Committee
- Responsible Care Committee

Mr. Aitken is a corporate director. He was President & CEO of the Company from May 2004 until his retirement at the end of 2012. Prior to this, Mr. Aitken was President & Chief Operating Officer of the Company from September 2003 and prior to that he was Senior Vice President, Asia Pacific of the Company (based in New Zealand). He has also held the position of Vice President, Corporate Development (based in Vancouver). He was an employee of the Company and its predecessor methanol companies for approximately 22 years. Prior to joining the Company, Mr. Aitken worked in various executive roles for Fletcher Challenge Ltd. in New Zealand.

Mr. Aitken holds a Bachelor of Commerce from the University of Auckland and is a member of the Chartered Accountants of Australia and New Zealand.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Public Policy Committee Responsible Care Committee	6 of 6 2 of 2 3 of 3	11 of 11	100%	Onehunga High Business School Advisory Board (educational institution) (since 2014)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]

			RSUs[5] ($)		
121,289	Nil	121,289	7,715,093	4,000	Yes

DOUGLAS ARNELL Age: 50 West Vancouver, Canada Director since: October 2016 Independent Committee memberships as at the date of the Information Circular: - Corporate Governance Committee - Public Policy Committee	Mr. Arnell is the President and Chief Executive Officer of Helm Energy Advisors Inc., a private company he founded in March 2015 that provides advisory services to the global energy sector. Prior to founding Helm Energy, from September 2010 to March 2015, Mr. Arnell was employed with Golar LNG Ltd., including as Chief Executive Officer from February 2011 to March 2015. Golar LNG is a U.S. public company focused on owning and operating LNG midstream floating assets. Prior to joining Golar LNG, Mr. Arnell held various senior positions within the BG Group of companies from 2003 to 2010 and with other energy companies prior to that time. Mr. Arnell holds a Bachelor of Science from the University of Calgary.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Corporate Governance Committee Public Policy Committee	1 of 1 0 of 0 0 of 0	1 of 1	100%	Veresen Inc. (since 2016)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, ($)	Minimum Shareholding Requirements	Meets Share Ownership Requirements?[6]

			DSUs and RSUs[5] ($)		
1,360	1,700	3,060	194,600	407,000	No[7]

HOWARD BALLOCH[8] Age: 65 Hong Kong Director since: December 2004 Independent Committee memberships as at the date of the Information Circular: - Audit, Finance and Risk Committee - Public Policy Committee (Chair)	Mr. Balloch is a corporate director and private investor resident in Hong Kong. From 2002 to 2011, he was President of The Balloch Group ("TBG"), a Beijing-based investment advisory and merchant banking firm he founded following his retirement as Canadian Ambassador to China, a position he had held since early 1996. TBG was acquired by Canaccord Genuity in 2011 and Mr. Balloch served as the Chairman of its Asian operations until he stepped down in March 2013. Mr. Balloch holds a Bachelor of Arts (Honours) in Political Science and Economics and a master's degree in International Relations, both from McGill University, Montreal.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board		15 of 15	100%	Maple Leaf Educational Systems (since 2014) Sinopec Canada Inc. (private) (since 2014)
Audit, Finance and Risk Committee	6 of 6 7 of 7			
Public Policy Committee (Chair)	2 of 2			

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
1,700	47,235	48,935	3,112,749	450,000	Yes

PHILLIP COOK Age: 70	Mr. Cook is a corporate director. He held the position of Senior Advisor of The Dow Chemical Company ("Dow Chemical") from June 2006 until his

	Austin, Texas, USA Director since: May 2006 Independent Committee memberships as at the date of the Information Circular: - Corporate Governance Committee (Chair) - Human Resources Committee	retirement in January 2007. Dow Chemical provides chemical, plastic and agricultural products and services. Prior to his Senior Advisor position, Mr. Cook was Corporate Vice President, Strategic Development & New Ventures of Dow Chemical from 2005. Mr. Cook previously held senior positions with Dow Chemical including Senior Vice President, Performance Chemicals & Thermosets from 2003, and from 2000 he held the position of Business Vice President, Epoxy Products & Intermediates. Mr. Cook holds a Bachelor of Mechanical Engineering from the University of Texas at Austin.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Corporate Governance Committee (Chair) Human Resources Committee Public Policy Committee	6 of 6 2 of 2 3 of 3 1 of 1	12 of 12	100%	Cockrell School of Engineering Advisory Board (since 2004) and the Environmental Sciences Institute Advisory Board (since 2010) of the University of Texas at Austin (educational institution)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
25,000	5,768	30,768	1,957,152	420,000	Yes

JOHN FLOREN Age: 58 Eastham, Massachusetts, USA Director since: January 2013 Not Independent	Mr. Floren has been President & CEO of the Company since January 2013. Prior to this appointment, Mr. Floren was Senior Vice President, Global Marketing & Logistics of the Company from June 2005 and prior to that, Director, Marketing & Logistics, North America from May 2002. He has been an employee of the Company for approximately 17 years and has worked in the chemical industry for over 30 years. Mr. Floren holds a Bachelor of Arts in Economics from the University of Manitoba. He also attended the Harvard Business School's Program for Management Development and has attended the International Executive Program at INSEAD. Most recently he completed the Directors Education Program at the Institute of Corporate Directors.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board[9]	6 of 6	6 of 6	100%	West Fraser Timber Co. Ltd. (since 2016)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total PSUs and DSUs[2][4] (#)	Total of Common Shares, PSUs (50% of balance) and DSUs (#)	Total Market Value of Common Shares, PSUs (50% of balance) and DSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
84,681	130,739	150,051	9,544,755	4,755,000	Yes

THOMAS HAMILTON [10] Age: 73 Houston, Texas, USA Director since: May 2007 Independent	Mr. Hamilton has been Chairman of the Board of the Company since May 2010. He has been co-owner of Medora Investments, a private investment firm in Houston, Texas, since April 2003. Mr. Hamilton was Chairman, President & Chief Executive Officer of EEX Corporation, an oil and natural gas exploration and production company, from January 1997 until his retirement in November 2002. From 1992 to 1997, Mr. Hamilton served as Executive Vice President of Pennzoil Company and as President of Pennzoil Exploration and Production Company, one of the largest US-based independent oil and gas companies. Previously, Mr. Hamilton held senior positions at other oil and gas companies including BP, Standard Oil Company and ExxonMobil Corp. Mr. Hamilton holds a Master of Science and a PhD in Geology from the University of North Dakota. He also has a Bachelor of Science in Geology from Capital University, Columbus, Ohio.	

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Chairman of the Board[11]	6 of 6	6 of 6	100%	None

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
24,000	11,137	35,137	2,235,265	7,265,000	Yes

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ROBERT KOSTELNIK Age: 65 Fulshear, Texas, USA Director since: September 2008 Independent Committee memberships as at the date of the Information Circular: - Corporate Governance Committee - Responsible Care Committee (Chair)	Mr. Kostelnik has been a principal in GlenRock Recovery Partners, LLC since February 2012. GlenRock Recovery Partners facilitates the sale of non-fungible hydrocarbons in the United States. Prior to this, he was President & Chief Executive Officer of Cinatra Clean Technologies, Inc. from 2008 to May 2011. Mr. Kostelnik held the position of Vice President of Refining for CITGO Petroleum Corporation ("CITGO") from July 2006 until his retirement in 2007. He held a number of senior positions during his 16 years with CITGO. Previously, Mr. Kostelnik held various management positions at Shell Oil Company. Mr. Kostelnik holds a Bachelor of Science (Mechanical Engineering) from the University of Missouri and is a Registered Professional Engineer.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Corporate Governance Committee Responsible Care Committee (Chair)	6 of 6 3 of 3 3 of 3	12 of 12	100%	Association of Chemical Industry of Texas (industry association) (since 2004) HollyFrontier Corporation (since 2010)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares,	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]

			DSUs and RSUs[5] ($)		
21,000	5,768	26,768	1,702,402	4,702,000	Yes

DOUGLAS MAHAFFY Age: 71 Toronto, Ontario, Canada Director since: May 2006 Independent Committee memberships as at the date of the Information Circular: - Corporate Governance Committee - Human Resources Committee	Mr. Mahaffy is a corporate director. He was Chairman of McLean Budden Limited ("McLean Budden") from February 2008 until March 2010. Prior to that, he held the position of Chairman & Chief Executive Officer of McLean Budden from October 1989 to February 2008. Mr. Mahaffy was also President of McLean Budden from October 1989 until September 2006. McLean Budden (now MFS Canada) is an investment management firm that manages over $30 billion in assets for pension, foundation and private clients in Canada, the United States, Europe and Asia. Mr. Mahaffy holds a Bachelor of Arts and a Master of Business Administration from York University, Toronto.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings	Other Current Board Memberships
Member of the Board Corporate Governance Committee Human Resources Committee	6 of 6 3 of 3 4 of 4	13 of 13	100%	Canada Pension Plan Investment Board (government agency) (since 2009) Sunnybrook Health Sciences Centre (academic health sciences centre), Common Investment Committee (since 2011)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
1,900	45,028	46,928	2,985,409	4,000,000	Yes

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A. TERENCE (TERRY) POOLE Age: 74 Calgary, Alberta, Canada Director since: February 1994[12] Independent Committee memberships as at the date of the Information Circular: - Audit, Finance and Risk Committee (Chair) - Public Policy Committee	Mr. Poole is a corporate director. He held the position of Executive Vice President, Corporate Strategy & Development of NOVA Chemicals Corporation ("NOVA"), a commodity chemical company, from May 2000 to June 2006. Prior to this, Mr. Poole held the position of Executive Vice President, Finance & Strategy of NOVA from 1998 to 2000 and the position of Senior Vice President & Chief Financial Officer of NOVA from 1994 to 1998. Mr. Poole is a Chartered Professional Accountant and holds a Bachelor of Commerce from Dalhousie University, Halifax. He is a member of the Canadian, Quebec and Ontario Institutes of Chartered Professional Accountants and is also a member of Financial Executives International.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Audit, Finance and Risk Committee (Chair)[13] Public Policy Committee	6 of 6 7 of 7 2 of 2	15 of 15	100%	Pengrowth Energy Corporation (since 2005)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
37,000	60,886	97,886	6,226,502	4,500,000	Yes

JANICE RENNIE Age: 59 Edmonton, Alberta, Canada Director since: May 2006 Independent Committee memberships as at the date of the Information Circular: - Audit, Finance and Risk Committee - Human Resources Committee (Chair)	Ms. Rennie is a corporate director. From 2004 to 2005, Ms. Rennie was Senior Vice President, Human Resources & Organizational Effectiveness for EPCOR Utilities Inc. ("EPCOR"). At that time, EPCOR built, owned and operated power plants, electrical transmission and distribution networks, water and wastewater treatment facilities and infrastructure in Canada and the United States. Prior to 2004, Ms. Rennie was Principal of Rennie & Associates, which provided investment and related advice to small and mid-sized companies. Ms. Rennie holds a Bachelor of Commerce from the University of Alberta and is a Fellow of the Institute of Chartered Professional Accountants of Alberta and the Institute of Corporate Directors.

2016 Board / Committee Memberships	2016 Attendance	Total 2015 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Audit, Finance and Risk Committee Human Resources Committee (Chair)	6 of 6 7 of 7 4 of 4	17 of 17	100%	Greystone Capital Management Inc. (private) (since 2003) Major Drilling Group International Inc. (since 2010) West Fraser Timber Co. Ltd. (since 2004) WestJet Airlines Limited (since 2011)

Share and Share Equivalents Held as of March 3, 2017:

Common	Minimum	Meets Share

Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Shareholding Requirements ($)	Ownership Requirements?[6]
3,000	12,485	15,485	985,040	410,000	Yes

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MARGARET WALKER Age: 64 Austin, Texas, USA Director since: April 2015 Independent Committee memberships as at the date of the Information Circular: - Human Resources Committee - Responsible Care Committee	Ms. Walker has been the owner of MLRW Group, LLC since January 2011. MLRW Group, LLC is a consulting firm focusing on working with companies to improve capital investment outcomes and to improve overall safety performance. From 2004 until her retirement in December 2010, Ms. Walker was Vice President of Engineering & Technology for The Dow Chemical Company ("Dow Chemical"). Prior to this, Ms. Walker held other senior positions with Dow Chemical including Senior Leader in Manufacturing & Engineering and Business Director of Contract Manufacturing. Dow Chemical provides chemical, plastic and agricultural products and services. Ms. Walker holds a Bachelor of Chemical Engineering from Texas Tech University, located in Lubbock, Texas.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Human Resources Committee Responsible Care Committee	6 of 6 4 of 4 3 of 3	13 of 13	100%	Independent Project Analysis, Inc. (private) (since 2011)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
3,076	4,074	7,150	454,812	400,000	Yes

BENITA WARMBOLD Age: 58 Toronto, Ontario, Canada Director since: February 2016 Independent Committee memberships as at the date of the Information Circular: - Audit, Finance & Risk Committee - Responsible Care Committee	Ms. Warmbold has been Senior Managing Director & Chief Financial Officer of the Canada Pension Plan Investment Board (“CPPIB”) since 2013. Prior to this and from 2008, Ms. Warmbold was the Senior Vice President & Chief Operations Officer of CPPIB. CPPIB is a professional investment management organization responsible for investing funds on behalf of the Canada Pension Plan. From 1997 to 2008, Ms. Warmbold was the Managing Director & CFO for Northwater Capital Management Inc., and prior to that she held senior positions with Canada Development Investment Corporation and KPMG. Ms. Warmbold holds an Honours Bachelor of Commerce degree from Queen’s University, is a Fellow of the Institute of Chartered Professional Accountants of Ontario and has been granted the ICD.D designation by the Institute of Corporate Directors.

2016 Board / Committee Memberships	2016 Attendance	Total 2016 Attendance at Board and Committee Meetings		Other Current Board Memberships
Member of the Board Audit, Finance and Risk Committee Responsible Care Committee	5 of 5 6 of 6 3 of 3	14 of 14	100%	Canadian Public Accountability Board (professional association) (since 2011) Queen’s University Board of Trustees (educational institution) (since 2015) Women’s College Hospital (academic hospital) (since 2014)

Share and Share Equivalents Held as of March 3, 2017:

Common Shares[1] (#)	Total DSUs and RSUs[2][3] (#)	Total of Common Shares, DSUs and RSUs (#)	Total Market Value of Common Shares, DSUs and RSUs[5] ($)	Minimum Shareholding Requirements ($)	Meets Share Ownership Requirements?[6]
6,000	1,700	7,700	489,797	400,000	Yes

(1) The number of Common Shares held includes Common Shares directly or indirectly beneficially owned or under the control or direction of such nominee.
(2) For information on Deferred Share Units, see “Deferred Share Unit Plan (Director DSUs)”.
(3) For information on Restricted Share Units, see “Share-Based Awards - Restricted Share Unit Plan for Directors”.
(4) For information on Performance Share Units, see “Performance Share Unit Plan”. Non-management directors are not eligible to participate in this plan.
(5) This value is calculated using $63.61, being the weighted average closing price of the Common Shares on the Toronto Stock Exchange for the 90-day period ending March 3, 2017.
(6) See page 36 for more information on director share ownership requirements. See page 54 for more information on Mr. Floren’s share ownership requirements as President & CEO of the Company.
(7) Mr. Arnell was appointed a director effective October 1, 2016 and new directors have a reasonable period of time to meet their share ownership requirements.

(8) Mr. Balloch was a director of Ivanhoe Energy Inc. ("Ivanhoe"), an oil exploration and development company, from 2002 to May 2015. Effective June 1, 2015, Ivanhoe was deemed bankrupt under the Bankruptcy and Insolvency Act (Canada).

(9) Mr. Floren is not a member of any Committee, but attends Committee meetings in his capacity as President & CEO of the Company.

(10) Mr. Hamilton was a director of Hercules Offshore Inc. ("Hercules"), a drilling company, from 2004 to 2015. In August 2015, Hercules filed a pre-packaged plan of reorganization under Chapter 11 of the U.S. Bankruptcy Code. In November 2015, Hercules completed its financial restructuring and emerged from the protection of Chapter 11 of the U.S. Bankruptcy Code.

(11) Mr. Hamilton is not a member of any Committee, but attends Committee meetings on an ex-officio basis in his capacity as Chairman of the Board.

(12) Mr. Poole resigned as a director of the Company in June 2003 and was reappointed in September 2003.

(13) Mr. Poole has been designated as the “audit committee financial expert.”

Voting Results
From the 2016 Annual General Meeting of Shareholders

Director	For	%	Withheld	%
Bruce Aitken	72,625,180	99.27	536,104	0.73
Doug Arnell[(1)]	—	—	—	—
Howard Balloch	72,880,996	99.62	280,288	0.38
Phillip Cook	72,925,423	99.68	235,861	0.32
John Floren	72,893,047	99.63	268,237	0.37
Thomas Hamilton	72,788,616	99.49	372,668	0.51
Robert Kostelnik	72,976,391	99.75	184,893	0.25
Douglas Mahaffy	72,911,412	99.66	249,872	0.34
A. Terence Poole	72,817,594	99.53	343,690	0.47
Janice Rennie	72,559,904	99.18	601,380	0.82
Margaret Walker	72,859,725	99.59	301,559	0.41
Benita Warmbold	72,934,361	99.69	226,923	0.31

(1) Mr. Arnell was appointed a director effective October 1, 2016, so did not stand for election at the 2016 Annual General Meeting.

Summary of Board and Committee Meetings
For the 12-month period ending December 31, 2016

Board of Directors	6
Audit, Finance and Risk Committee	7
Corporate Governance Committee	3
Human Resources Committee	4
Public Policy Committee	2
Responsible Care Committee	3

Summary of Attendance of Directors at Board and Committee Meetings
For the 12-month period ending December 31, 2016

Director	Board Meetings Attended (#)	Board Meetings Attended (%)	Committee Meetings Attended (#)	Committee	Committee Meetings Attended (%)	Total Board and Committee Meetings Attended (#)	(%)
Bruce Aitken	6 of 6	100	2 of 2	Public Policy	100	11 of 11	100
			3 of 3	Responsible Care	100		
Douglas Arnell[1]	1 of 1	100	n/a	Corporate Governance	n/a	1 of 1	100
			n/a	Public Policy	n/a		
Howard Balloch	6 of 6	100	7 of 7	Audit, Finance and Risk	100	15 of 15	100
			2 of 2 (Chair)	Public Policy	100		
Phillip Cook[2]	6 of 6	100	3 of 3 (Chair)	Corporate Governance	100	12 of 12	100
			2 of 2	Human Resources	100		
			1 of 1	Public Policy	100		
John Floren[3]	6 of 6	100	—	—	—	6 of 6	100
Thomas Hamilton[4]	6 of 6	100	—	—	—	6 of 6	100
Robert Kostelnik	6 of 6	100	3 of 3	Corporate Governance	100	12 of 12	100
			3 of 3 (Chair)	Responsible Care	100		
Douglas Mahaffy	6 of 6	100	3 of 3	Corporate Governance	100	13 of 13	100
			4 of 4	Human Resources	100		
A. Terence Poole	6 of 6	100	7 of 7 (Chair)	Audit, Finance and Risk	100	15 of 15	100
			2 of 2	Public Policy	100		
Janice Rennie[5]	6 of 6	100	7 of 7	Audit, Finance and Risk	100	17 of 17	100
			4 of 4 (Chair)	Human Resources	100		
Margaret Walker	6 of 6	100	4 of 4	Human Resources	100	13 of 13	100
			3 of 3	Responsible Care	100		
Benita Warmbold[6]	5 of 5	100	6 of 6	Audit, Finance and Risk	100	14 of 14	100
			3 of 3	Responsible Care	100		
Total		100			100		100

(1) Mr. Arnell was appointed a director effective October 1, 2016 and attended all Board meetings after that date. He did not attend any Committee meetings in 2016 as the Corporate Governance and Public Policy Committees did not meet again following his appointment.

(2) In April 2016, Mr. Cook ceased being a member of the Public Policy Committee and became a member of the Human Resources Committee.

(3) Mr. Floren attended all Committee meetings in his capacity as President & CEO of the Company in 2016.

(4) Mr. Hamilton attended all Committee meetings on an ex-officio basis in his capacity as Chairman of the Board in 2016.

(5) In April 2016, Ms. Rennie became Chair of the Human Resources Committee.

(6) Ms. Warmbold was appointed a director effective February 1, 2016 and attended all Board and Audit, Finance and Risk and Responsible Care Committee meetings after that date.

REAPPOINTMENT AND REMUNERATION OF AUDITORS

The directors of the Company recommend the reappointment of KPMG LLP, Chartered Professional Accountants, Vancouver, as the auditors of the Company to hold office until the termination of the next annual meeting of the Company. KPMG LLP has served as the auditors of the Company for more than five years. As in past years, it is also recommended that the remuneration to be paid to the auditors be determined by the directors of the Company.

The persons named as proxyholders in the accompanying proxy, if not expressly directed to the contrary, will vote the Common Shares for which they have been appointed proxyholder to reappoint KPMG LLP as the auditors of the Company and to authorize the directors to determine the remuneration to be paid to the auditors.

Principal Accountant Fees and Services

Pre-Approval Policies and Procedures

The Company's Audit, Finance and Risk Committee (the "Audit Committee") annually reviews and approves the terms and scope of the external auditors' engagement. The Audit Committee oversees the Audit and Non-Audit Pre-Approval Policy, which sets forth the procedures and the conditions by which permissible services proposed to be performed by KPMG LLP are pre-approved. The Audit Committee has delegated to the Chair of the Audit Committee pre-approval authority for any services not previously approved by the Audit Committee. All such services approved by the Chair of the Audit Committee are subsequently reviewed by the Audit Committee.

All non-audit service engagements, regardless of the cost estimate, must be coordinated and approved by the Chief Financial Officer of the Company to further ensure that adherence to this policy is monitored.

Audit and Non-Audit Fees Billed by the Independent Auditors

KPMG LLP's global fees relating to the years ended December 31, 2016 and December 31, 2015 are as follows:

US$000s	2016	2015
Audit Fees	1,307	1,381
Audit-Related Fees	50	50
Tax Fees	61	63
Total	1,418	1,494

Each fee category is described below.

Audit Fees

Audit fees for professional services rendered by the external auditors for the audit of the Company's consolidated financial statements; statutory audits of the financial statements of the Company's subsidiaries; quarterly reviews of the Company's financial statements; consultations as to the accounting or disclosure treatment of transactions reflected in the financial statements; and services associated with registration statements, prospectuses, periodic reports and other documents filed with securities regulators.

Audit fees for professional services rendered by the external auditors for the audit of the Company's consolidated financial statements were in respect of an "integrated audit" performed by KPMG LLP globally. The integrated audit encompasses an opinion on the fairness of presentation of the Company's financial statements as well as an opinion on the effectiveness of the Company's internal controls over financial reporting.

Audit-Related Fees

Audit-related fees for professional services rendered by the auditors for financial audits of employee benefit plans; procedures and audit or attest services not required by statute or regulation; and consultations related to the accounting or disclosure treatment of other transactions.

Tax Fees

Tax fees for professional services rendered for tax compliance and tax advice. These services consisted of: tax compliance, including the review of tax returns; assistance in completing routine tax schedules and calculations; and advisory services relating to domestic and international taxation.

ADVISORY “SAY ON PAY” VOTE ON APPROACH TO EXECUTIVE COMPENSATION

A detailed discussion of our approach to executive compensation is provided in the "Executive Compensation Discussion and Analysis" that begins on page 38 of this Information Circular. As stated there, the main objective of our executive compensation program is to attract, retain and engage high-quality and high-performance executives with relevant experience who have the ability to successfully execute our strategy and deliver long-term value to our shareholders.

Important elements of our executive compensation program are designed to be dependent upon measures that align with returns to shareholders. For the executive officers, a significant percentage of the short-term incentive award is dependent on achieving certain levels of “Modified Return on Capital Employed” but also on a broad variety of measures that we believe drive our share price. In the case of the long-term incentive plan, the value of Performance Share Units is dependent upon the compounded shareholder return calculated over a three-year period and stock options/Stock Appreciation Rights (“SARs”) (which vest over a three-year period) have no value if the underlying share price does not increase.

We also believe in the importance of executives owning Common Shares to more fully align management with the interests of shareholders and focus activities on developing and implementing strategies that create and deliver long-term value for shareholders. Therefore, the President & CEO and all other executive officers have significant share ownership requirements.

At the 2011 annual meeting of shareholders, we held our first annual advisory vote on executive compensation (commonly referred to as a “say on pay vote”) and 98.8% of shares were voted in favour of accepting the Company’s approach to executive compensation. At each subsequent annual meeting of shareholders, over 98% of shares were voted in favour. It is the Board’s intention that the say on pay vote will be only one part of the ongoing process of engagement between shareholders and the Board on compensation. The Board has also put in place a web-based survey to enable shareholders to give feedback on our approach to executive compensation.

This is an advisory vote and the results will not be binding upon the Board. However, the Board will take the results of the vote into account, together with any feedback received from shareholders through the web-based survey, when considering future compensation policies, procedures and decisions. Shareholders will be asked at the Meeting to consider and, if deemed advisable, to adopt the following resolution that is based on the model say on pay resolution formulated by the Canadian Coalition for Good Governance:

RESOLVED THAT:

On an advisory basis and not to diminish the role and responsibilities of the Board of Directors, the shareholders accept the approach to executive compensation disclosed in the Company’s Information Circular delivered in advance of the 2017 annual and special meeting of shareholders.

The Board unanimously recommends that shareholders vote FOR the resolution. Unless instructed otherwise, the persons named in our form of proxy will vote FOR the resolution.

AMENDMENT OF STOCK OPTION PLAN

About the Stock Option Plan

The Company’s long-term incentive ("LTI") plan is designed to attract and retain talented executives and senior employees, reward their contributions over various time horizons and ensure their interests are aligned with those of long-term shareholders. The annual LTI grant is delivered 50% through Performance Share Units ("PSUs") and 50% through stock options (or stock appreciation rights ("SARs") or tandem stock appreciation rights ("TSARs")).

The Company believes that stock options (or a similar vehicle) are a valuable tool to ensure strong alignment with shareholders as rewards are a function of share price appreciation. The Company has a Stock Option Plan (the “Stock Option Plan”) under which options to purchase Common Shares may be granted to selected employees of the Company and its subsidiaries. Information regarding the Stock Option Plan is set out on pages 48 and 62. The table below outlines changes to the Stock Option Plan over the last ten years:

Year	Key Event
2007	Shareholders approved amendments including: - options could no longer be granted to non-employee directors; and - providing for revised expiry dates where the exercise period would expire during, or within ten days, after a blackout period
2009	Shareholders approved amendments including: - increasing the number of shares issuable under the Stock Option Plan by 4,231,441; and - revising the expiry date from ten years to seven years
2010	Shareholders approved amendments including allowing stock appreciation rights to be issued in tandem with stock options

In 2010, to reduce the impact of dilution on current shareholdings, the LTI plan was modified to replace stock options with SARs in all regions, with the exception of Canada, Belgium and Trinidad, due to the potential adverse personal tax impact for employees in those countries. SARs are substantially equivalent to stock options as they provide compensation of a cash amount equal to the excess of the "fair market value" over the "grant price". The Company's SARs are only settled in cash, not stock, meaning there is no impact on dilution. Approximately 30% of long-term incentive awards granted to eligible management personnel are delivered through SARs.

A small number of employees in Belgium and Trinidad continue to receive stock options. Less than 10% of long-term incentive awards granted to eligible management personnel are delivered through stock options.

For Canadian employees, stock options are granted with an equal number of TSARs. Under the terms of the Stock Option Plan, TSARs entitle the holder to either 1) exercise the stock option or 2) surrender the related option granted and to receive a cash amount equal to the excess of the “fair market value” over the “grant price”. TSARs retain the same preferential personal tax treatment as stock options in Canada even when the stock option is not exercised. When TSARs are granted, the corresponding number of Common Shares must be initially allocated from the share reserve in the event that the employee exercises the stock option. However, when an employee elects to exercise the TSAR there is a cash settlement and no share is issued. The surrendered option is then credited back to the Company’s share reserve and is available for future options/TSARs granted under the Stock Option Plan. To date, all employees who have been granted TSARs have elected to exercise the TSAR, instead of the underlying stock option, and there has been no impact on dilution. We expect that in the future the majority of employees who have been granted TSARs will continue to exercise the TSAR. Over 60% of long-term incentive grants to eligible management personnel are

delivered through TSARs. Further information on TSARs is provided on page 48.

To ensure alignment with shareholder interests, we have significant share ownership requirements for all executive officers and share ownership guidelines for all management employees that are eligible to receive long-term incentives. Executive officers and other management employees are expected to use the cash proceeds from the exercise of stock options/SARs/TSARs or the vesting of their PSUs to achieve their share ownership requirement/guideline.

Long-Term Incentive Grant Practices

The Company has maintained a consistent approach to long-term incentives and we expect to maintain the current level of grants and participation in the Stock Option Plan. The total number of stock options/TSARs granted to employees in any year will continue to depend upon a number of factors, including our share price, and cannot be accurately estimated in advance. Over the last five years, our run rate, which reflects the number of stock options/TSARs granted divided by the total number of Common Shares outstanding, has ranged from 0.4% to 0.8%.

Through the introduction of SARs and TSARs, the Company has not needed to ask shareholders to increase the number of Common Shares that may be issued pursuant to stock options/TSARs granted under the Stock Option Plan since 2009. As of March 3, 2017, of the approximately 4.1 million TSARs granted since 2010, over 1/3 have been previously exercised through the TSAR, with the underlying stock option being returned to the share reserve for future grants of stock options/TSARs. The remaining 2.6 million TSARs are still outstanding. Although we expect that the majority of employees who have been granted TSARs will exercise the TSAR, and not the underlying stock option, we cannot accurately anticipate when outstanding TSARs will be exercised. Based on a conservative estimate of when TSARs will be exercised, we expect that the current share reserve may not be sufficient for grants after 2017.

Proposed Changes

At the Meeting, shareholders of the Company will be asked to vote FOR a resolution to amend the Stock Option Plan to authorize the issuance of an additional 3,000,000 Common Shares of the Company pursuant to the exercise of stock options issued thereunder. The Board approved this amendment at a meeting held on March 3, 2017, subject to shareholder approval. The Board believes that the increase to the number of Common Shares issuable under the Stock Option Plan pursuant to the exercise of stock options is appropriate to permit future grants of stock options/TSARs to executive officers and selected employees until at least 2023, based on conservative estimates regarding the exercise pattern of TSARs and our grant size, which are difficult to accurately estimate in advance, without the Company having to seek further approval from shareholders.

The number of Common Shares that may be issued pursuant to stock options granted and outstanding described below includes outstanding TSARs and we expect that the majority of employees who have been granted TSARs will exercise the TSAR. Where employees exercise TSARs there is no impact on dilution. Therefore, we anticipate the information below may overstate the actual dilution impact. As at March 3, 2017 there were 89,842,838 Common Shares outstanding. As at March 3, 2017, a total of 2,999,373 Common Shares (approximately 3.3% of the Company’s issued and outstanding shares on a non-diluted basis) may be issued pursuant to stock options granted and outstanding and a total of 3,339,902 Common Shares (approximately 3.7% of the Company’s issued and outstanding shares on a non-diluted basis) are available for future issuance as stock options under the Stock Option Plan, assuming the amendment to the Stock Option Plan is approved by shareholders.

Shareholders wishing to receive a copy of the amended Stock Option Plan should contact the Corporate Secretary of the Company at 604-661-2600. The full text of the resolution approving the amendment to the Stock Option Plan is set out in Schedule A to this Information Circular.
The Board unanimously recommends that shareholders vote FOR the resolution. Unless instructed otherwise, the persons named in our form of proxy will vote FOR the resolution.

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INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

None of the directors or officers of the Company, no proposed nominee for election as a director of the Company, none of the persons who have been directors or officers of the Company at any time since the beginning of the Company's last completed financial year and no associate or affiliate of any of the foregoing has any material interest, direct or indirect, by way of beneficial ownership of securities of the Company or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors and the approval of the amendment to the Stock Option Plan to authorize the issuance of an additional 3,000,000 Common Shares pursuant to the exercise of stock options issued thereunder. The officers of the Company are eligible to be granted stock options in the future under the Stock Option Plan and, as a result, they may be considered to have an interest in the approval of the increase to the number of Common Shares reserved for issuance under the Stock Option Plan.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

None of the directors or officers of the Company, no director or officer of a body corporate that is itself an insider or a subsidiary of the Company, no person or company who beneficially owns, directly or indirectly, voting securities of the Company or who exercised control or direction over voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Company entitled to vote in connection with any matters being proposed for consideration at the Meeting, no proposed director or nominee for election as a director of the Company and no associate or affiliate of any of the foregoing has or had any material interest, direct or indirect, in any transaction or proposed transaction since the beginning of the Company's last financial year that has materially affected or would or could materially affect the Company or any of its subsidiaries.

PART III CORPORATE GOVERNANCE

Statement of Corporate Governance Practices

Corporate governance is a key priority for the Company. We define corporate governance as having the appropriate processes and structures in place to ensure that our business is managed in the best interests of our shareholders while keeping in mind the interests of all stakeholders. We believe good corporate governance is critical to the Company's effective, efficient and prudent operation.

The Company is a Canadian reporting issuer with its Common Shares listed on the TSX and the NASDAQ Global Select Market. In Canada, we are subject to securities regulations that impose on us a requirement to disclose certain corporate governance practices that we have adopted. Canadian regulations also provide guidance on various corporate governance practices that companies like ours should adopt. The Company also monitors corporate governance developments in Canada and adopts best practices where such practices are aligned with our values and our goal of continuous improvement. A brief description of our corporate governance practices follows.

1. Board of Directors

The Board has adopted a set of Corporate Governance Principles to provide for a system of principled goal-setting, effective decision-making and ethical actions. A copy of the Corporate Governance Principles can be found in Schedule B attached to this Information Circular and on our website.

2017 Board Objectives

Every year the Board establishes a set of "Board Objectives" which are dominant themes that the Board wishes to focus particular attention on during the year. In late 2016, the Board established several key objectives for 2017 including:

- continue to demonstrate leadership in Responsible Care;
- provide close stewardship of the Company's cost structure, cash and balance sheet management;
- provide close stewardship of the key aspects of the Company's growth strategy;
- maintain focus on plant reliability and sustainability, including gas supply issues; and
- maintain focus on key human resource processes.

The status of each objective is discussed at each Board meeting.

Committees of the Board of Directors

The Board has established five standing Committees with written mandates defining their responsibilities and a requirement to report regularly to the Board. In addition, from time to time the Board may establish an ad hoc committee for discussing matters of a special nature.

All current Committee members have been determined to be independent in accordance with NASDAQ rules and Canadian securities regulations and no Committee member was during 2016, or is currently, an officer or employee of the Company or any of its subsidiaries. The following table lists each of our standing Committees, its members and a summary of its key responsibilities.

Committee	Members	Meetings in 2016 (#)	Overall Attendance (%)	Summary of Key Responsibilities
Audit, Finance and Risk Committee[1]	A. Terence Poole (Chair)[2] Howard Balloch Janice Rennie Benita Warmbold	7	100	• assisting the Board in fulfilling its oversight responsibility relating to: • the integrity of the Company's financial statements • the financial reporting process • systems of internal accounting and financial controls • professional qualifications and independence of the external auditors • performance of the external auditors • risk management processes • financing plans and pension plans • compliance by the Company with ethics policies and legal and regulatory requirements
Corporate Governance Committee	Phillip Cook (Chair) Douglas Arnell[3] Robert Kostelnik Douglas Mahaffy	3	100	• establishing the appropriate composition and governance of the Board, including compensation of all non-management directors • recommending nominees for election or appointment as directors • annually assessing and enhancing the performance of the Board, Board Committees and Board members • shaping the corporate governance of the Company and developing corporate governance principles for the Company • monitoring compliance by the Company with ethics policies and legal and regulatory requirements • providing oversight of the director education program
Human Resources Committee	Janice Rennie (Chair)[4] Phillip Cook Douglas Mahaffy Margaret Walker	4	100	• approving the goals and objectives of the CEO and evaluating his performance • reviewing and recommending to the Board for approval the remuneration of the Company's executive officers • approving the remuneration of all other employees on an aggregate basis • reviewing the Company's compensation policies and practices from a risk perspective • approving the executive compensation discussion and analysis • reporting on the Company's organizational structure, officer succession plans, total compensation practices, human resource policies and executive development programs • recommending grants and administrative matters in connection with the long-term incentive plan
Public Policy Committee	Howard Balloch (Chair) Bruce Aitken Douglas Arnell[3]	2	100	• reviewing public policy matters that have a significant impact on the Company, including those relating to government relations and public affairs

	A. Terence Poole			• overseeing the Company's Social Responsibility Policy • reviewing matters relating to the environment and occupational health and safety issues that impact significantly on the Company • overseeing the Company's Responsible Care Policy and reviewing the policies and standards that are in place to ensure that the Company is carrying out all of its operations in accordance with the principles of Responsible Care
Responsible Care Committee	Robert Kostelnik (Chair) Bruce Aitken Margaret Walker Benita Warmbold	3	100	

(1) The mandate of the Audit, Finance and Risk Committee, together with the relevant education and experience of its members and other information regarding the Audit, Finance and Risk Committee, may be found in the "Audit Committee Information" section of the Company's Annual Information Form for the year ended December 31, 2016.

(2) Mr. Poole has been designated as the "audit committee financial expert."

(3) Mr. Arnell was appointed a director effective as of October 1, 2016. He did not attend any Committee meetings in 2016 as the Corporate Governance and Public Policy Committees did not meet again following his appointment.

(4) Ms. Rennie became Chair of the Human Resources Committee in April 2016.

Director Independence
Independence Status of Nominee Directors

Name	Management	Independent	Not Independent
Bruce Aitken		x	
Douglas Arnell		x	
Howard Balloch		x	
Phillip Cook		x	
John Floren	x		x
Thomas Hamilton		x	
Robert Kostelnik		x	
Douglas Mahaffy		x	
A. Terence Poole		x	
Janice Rennie		x	
Margaret Walker		x	
Benita Warmbold		x	

Eleven of the 12 nominees (92%) who are standing for election to the Board have been determined by the Board to be independent in accordance with NASDAQ rules and Canadian securities regulations. Mr. Floren is the President & CEO of the Company and is therefore not independent.

In accordance with our Corporate Governance Principles, the Board must be composed of a substantial majority of independent directors. The mandates of the Audit, Finance and Risk Committee, the Corporate Governance Committee and the Human Resources Committee state that these Committees must be composed wholly of independent directors. In addition, our Corporate Governance Principles provide that, if the Chairman of the Board is not independent, the independent directors on the Board shall select from among themselves a Lead Independent Director.

In 2016, all Committees were constituted exclusively of independent directors. Mr. Floren, in his capacity as President & CEO of the Company, and Mr. Hamilton, in his capacity as Chairman of the Board, attend all Committee meetings.

Other Directorships and Interlocking Relationships

Several of the nominees are directors of other reporting issuers. For details, please refer to the biographies for each nominee under “Election of Directors”.

Ms. Rennie and Mr. Floren serve together as directors on the board of West Fraser Timber Co. Ltd. No other nominees serve together as directors of other corporations or acted together as trustees for other entities.

In Camera Sessions

Following each in-person meeting of the Board, an “in camera” session is held at which non-management directors are in attendance as provided in our Corporate Governance Principles. In addition, an in camera session is usually held following each in-person Committee meeting. In 2016, there was an in camera session after every Board and Committee meeting, with the exception of one Committee telephone meeting.

Meeting Attendance Records

The combined Board and Committee meeting attendance rate for all directors in 2016 was 100%. For information concerning the number of Board and Committee meetings held in 2016, as well as the attendance record of each director for those meetings, see the chart on page 13.

2. Board Mandate

Section 3 of the Company's Corporate Governance Principles contains the Board mandate that describes the Board's responsibilities. A copy of the Corporate Governance Principles can be found in Schedule B attached to this Information Circular and on our website.

Board Strategy Oversight

The Board oversees the annual strategic planning process to develop and monitor our strategic direction. Each July, the Board and management hold a full day strategy session that provides detailed information on the business environment and trends affecting the Company and identifies foreseeable opportunities and risks. As part of the 2016 strategy session, the Board and management received presentations on, among other things, the economics of methanol-to-olefins and a global energy update. Comprehensive action items and follow-up are agreed during the strategy session. The strategy is then revised accordingly and submitted to the Board for final review and endorsement at the September Board meeting.

The Board is provided with a strategy update at each regularly scheduled Board meeting throughout the year which tracks the progress of each strategic initiative.

3. Position Descriptions

Board Chairman and Committee Chairs

The Board has developed written position descriptions (which we call "Terms of Reference") for the Chairman of the Board, each Committee Chair and for Individual Directors. These Terms of Reference can be found on our website. Section 4 of the Corporate Governance Principles also sets out the responsibilities of each director.

President & Chief Executive Officer

The President & CEO has a written position description that sets out the position's key responsibilities. In addition, the President & CEO has specific annual corporate and personal performance objectives that he is responsible for meeting. These objectives are reviewed, approved and tracked during the year by the Board through the Human Resources Committee. See "Short-Term Incentive Plan" on page 45 for more complete information on these objectives.

4. Orientation and Continuing Education

To familiarize directors with the role of the Board, its Committees, the directors and the nature and operation of the Company's business, we have a thorough and well thought out process for director onboarding. All directors are provided with information covering a wide range of topics including:

- duties of directors and directors' liabilities
- board and committee governance documents
- the Company's Code of Business Conduct
- strategic plans, operational reports and budgets
- important corporate policies
- recent regulatory filings and analyst reports
- our corporate and organizational structure

New directors are encouraged to not only review and familiarize themselves with this information, but also to have individual meetings with senior management, visit one of our plant sites, attend an Investor Relations event and attend at least one meeting of each of the five Committees. In addition, new directors are assigned another director to act as a "mentor" to assist the new director with settling into the role as quickly as possible.

The Board recognizes the importance of ongoing education for directors. The Company's Corporate Governance Principles state that directors are encouraged to attend seminars, conferences and other continuing education programs to help ensure that they stay current on relevant issues such as corporate governance, financial and accounting practices and corporate ethics. The

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Company and all of our directors are members of the Institute of Corporate Directors ("ICD") and the Company pays the cost of this membership. A number of our directors have attended courses and programs offered by ICD. The Company also encourages directors to attend other appropriate continuing education programs and the Company contributes to the cost of attending such programs. As well, written materials published in periodicals, newspapers or by legal or accounting firms that are likely to be of interest to directors are routinely forwarded to directors or included in a "supplemental reading" section in Board and Committee meeting materials. Furthermore, the Company also believes that serving on other corporate and not-for-profit boards is a valuable source for ongoing education.

The Corporate Governance Committee is responsible for overseeing the director education program and, based on feedback from all directors, the program focuses primarily on providing the directors with more in-depth information about key aspects of our business, including the material risks and opportunities facing the Company. Directors provide input into the agenda for the education program and management schedules presentations and seminars covering these areas, some of which are presented by management and others by external consultants or experts.
The Board and its Committees received a number of presentations in 2016 focused on deepening the Board's knowledge of the business, the industry and the key risks and opportunities facing the Company. Presentation topics included methanol energy applications, takeover preparedness and shareholder activism, plant reliability, outlook on North America natural gas supply and demand, cyber security, business updates from North America, Egypt and New Zealand, China strategy, the evolution of the greenhouse gas issue, hydraulic fracturing environmental issues and the competitive outlook in Europe and the Middle East. In 2016, all directors attended all internal Board education sessions.
In addition, Board meetings are periodically held at a location where the Company has methanol production operations or significant commercial activities.

5. Ethical Business Conduct

Code of Business Conduct

The Company has a written Code of Business Conduct (the "Code") that applies to all employees, officers and directors. The Code is available in English, Spanish and Arabic and clearly defines a set of standards to help them avoid wrongdoing and to promote honest and ethical behaviour while conducting the Company's business. A copy of the Code can be found on our website and on SEDAR at www.sedar.com. A printed version is also available upon request to the Corporate Secretary of the Company.
The Code also establishes a confidential "whistle-blower" ethics hotline for reporting suspected violations of the Code. The ethics hotline allows each of the Company's employees to be able to make a report to the hotline either through use of a toll-free phone number or online via the internet. In both cases, the hotline is operated by an external third party and users may make an anonymous report in their own local language.
The Code is reviewed annually by the Board. The Board monitors compliance with the Code primarily through the Audit, Finance and Risk Committee and the Corporate Governance Committee. These Committees receive regular updates on matters relating to the Code, including an annual report on the activities undertaken by management to maintain and increase Code awareness throughout the organization and the results of surveys designed to determine employee understanding and awareness of the Code.
The Code states that suspected Code violations, whether received through the whistle-blower hotline or otherwise, are to be reported to the legal department and that the General Counsel shall investigate the matter. The Corporate Governance Committee is made aware of all such reports. Furthermore, the Chairman of the Board and the Chair of the Audit, Finance and Risk Committee are advised of all reports that concern accounting or audit matters and the Chair of that Committee and the General Counsel together determine how such matters should be investigated. In addition, the Audit, Finance and Risk Committee receives quarterly notices from the General Counsel of any concerns received regarding accounting, internal accounting controls, and auditing matters.
No material change report has been filed since the beginning of the Company's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the Code.

Transactions Involving Directors or Officers

The Code contains a specific provision relating to the need for directors, officers and all employees to avoid conflicts of interest with the Company. Furthermore, the Corporate Governance Committee is mandated to consider questions of independence and possible conflicts of interest of directors and officers. To that end, each director and officer completes an annual questionnaire

in which they report on all transactions material to the Company in which they have a material interest. A report of all transactions involving the Company and the directors and executive officers is provided to the Corporate Governance Committee.

Recoupment Policy

The Company has a Recoupment Policy that provides for the forfeiture of options, shares or share units or repayment of cash compensation received by employees in certain circumstances where the employee is involved in wrongdoing. For more information on this policy, please see page 41.

Other Measures

The Board takes other steps to encourage and promote a culture of ethical business conduct. First, under the Company's Corporate Governance Principles, the Board has an obligation to satisfy itself as to the integrity of the CEO and other executive officers and that they are creating a culture of integrity throughout the organization. On an annual basis, the Corporate Governance Committee considers and reports to the Board on this issue. Significant efforts are made to ensure our employees fully understand their responsibilities under the Code through training, leadership communications, certification requirements and awareness initiatives. The level of awareness and understanding of our Code is monitored annually.

In addition to the Code, the Company has several other policies governing ethical business conduct, including the following:

- Competition Law Policy – provides employees with an understanding of the Company's policy of compliance with all competition laws and information concerning the activities that are permitted and prohibited when dealing with competitors, customers and other parties.
- Confidential Information and Trading in Securities Policy – provides guidelines to employees with respect to the treatment of confidential information and advises Company insiders when it is permissible to trade securities of the Company. This policy also prohibits insiders from purchasing financial instruments designed to hedge or offset a decrease in the market value of the Company's shares that they hold. Furthermore, insiders are prohibited from engaging in short selling of the Company's securities, trading in put or call options on the Company's securities or entering into equity monetization arrangements related to the Company's securities.
- Corporate Gifts and Entertainment Policy – provides guidelines to Company employees on the appropriateness of gifts, gratuities or entertainment that may be offered to or accepted from third parties with whom the Company has commercial relations.
- Corrupt Payments Prevention Policy – prohibits the payment or receipt of bribes and kickbacks by the Company's employees and agents. Facilitation payments are also prohibited.
- Political Donation Policy – prohibits all political donations by the Company.

The Company's employees regularly receive either web-based or in-person compliance training that focuses on ethical business conduct and the foregoing policies. In addition, employees and directors who are considered "insiders" under Canadian securities laws have been provided with training concerning their obligations and responsibilities under Canadian securities laws.

6. Nomination of Directors

Nominating Committee and Nomination Process

The Board has established the Corporate Governance Committee as its nominating committee. The Committee is composed entirely of independent directors. A summary of the key responsibilities of the Corporate Governance Committee can be found under "Committees of the Board of Directors".

The Corporate Governance Committee is responsible for identifying new candidates to stand as nominees for election or appointment as directors to the Board. The Corporate Governance Committee uses a skills matrix to assist in this process. On an annual basis, the Corporate Governance Committee reviews a matrix that sets out the various skills and experience considered to be desirable for the Board to possess in the context of the Company's strategic direction. The Corporate Governance Committee then assesses the skills and experience of each current Board member against this matrix. When completed, the matrix helps the Corporate Governance Committee identify any skills or experience gaps

and provides the basis for a search to be conducted for new directors to fill any gaps. The skills matrix is reviewed annually by the Corporate Governance Committee and in January 2014, the Corporate Governance Committee completed a thorough review of the skills matrix to ensure alignment with the Company's corporate strategy. Following is a summary of the agreed skills matrix that sets out the various skills and experience categories and the Corporate Governance Committee's determination as to how many directors on the Board should possess those skills and experience.

Skills and Experience	Target Number of Non-Management Directors
Leadership	4
Industry knowledge and experience	6
Finance	2
Government and public affairs	2
Board experience	7
Health, safety and environment issues	1
International perspective	5
Energy	2-3
Understanding of North American natural gas feedstock issues	3-4
Experience growing a foreign company’s presence in China	1-2
Ambitious business growth – large capital projects execution	1
Ambitious business growth – strategies and risks	2-3

In identifying potential director candidates, the Corporate Governance Committee takes into account a broad variety of factors it considers appropriate, including skills, independence, financial acumen, board dynamics and personal characteristics. In addition, diversity (as described more fully below) is considered when identifying potential director candidates. Desirable individual characteristics include integrity, credibility, the ability to generate public confidence and maintain the goodwill and confidence of our shareholders, sound and independent business judgment, general good health and the capability and willingness to travel to, attend and contribute at Board functions on a regular basis. Background checks, as appropriate, are completed prior to nomination.

Suitable director candidates have, over the past several years, been identified through the use of an executive search firm retained under the authority of the Corporate Governance Committee. The selection process is led by the Chair of the Corporate Governance Committee and all Committee members and the Chairman of the Board are routinely updated on the process and the individuals being considered. The Chair of the Corporate Governance Committee, the Chairman of the Board, the CEO and, where appropriate, other directors or senior executives meet in person with the candidate to discuss his or her interest and ability to devote the time and resources required to meet the Company’s expectations for directors. The recommended candidate is then formally considered by the Corporate Governance Committee and, if approved, the candidate is recommended to the Board.

Diversity

The Company has a Diversity Policy applicable to both employees and directors of the Company. The full text of the Diversity Policy can be found on the Company’s website.

A summary of our Diversity Policy is as follows:

The Company recognizes the importance of diversity, including gender diversity, at all levels of the Company including the Board and the executive team. We believe that diversity is important for both Board and organizational effectiveness. We have identified three key diversity attributes:

(a) Experiential (education, business and functional experience);

(b) Demographic (age, gender, ethnicity, nationality, geography); and

(c) Personal (personality, interests, values).

These attributes are essential for creating an appropriate balance of skills, experience, independence and knowledge required for the Board, the senior management team and the Company as a whole.

These diversity attributes, which specifically include gender diversity, are factored into the recruitment and decision making process when new Board and executive appointments are made. When engaging external search consultants to identify future candidates for Board or executive roles, such consultants are requested to take full account of all aspects of diversity in preparing their candidate list to provide a diverse and balanced slate where possible. Ultimately, appointments are based on merit, measured against objective criteria.

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Although we are committed to continue increasing the proportion of women on the Board and in senior management, no targets have been adopted. The Corporate Governance Committee and management's foremost priority is to ensure the Company has the best possible leadership. Accordingly, appointments will continue to be made on merit measured against objective criteria to select the best candidate for Board and executive officer positions. However, as noted above, we have processes in place to promote the presentation of a diverse slate of candidates during any new director and senior management search process.

The current number and proportion (in percentage) of directors on the Board who are women are three of 12 members, or 25%. The current number and proportion (in percentage) of executive officers of the Company who are women are two of six members, or 33%.

The Board measures the effectiveness of the Diversity Policy by monitoring the initiatives undertaken by the Company to promote diversity within the organization, and ensuring that balanced slates of candidates are presented for board searches where possible.

As we refine our approach to talent management, we continue to integrate diversity into our existing practices in order to enhance the diversity of our senior management team. Through our annual talent review and succession planning process, we review the number of women in executive and senior leadership positions for both our executive team and the management teams of each business group. On an ongoing basis we seek opportunities to accelerate the development of women through different career development opportunities, participation in formal leadership programs and participation in mentoring and sponsorship initiatives.

Majority Voting for Directors

The Board has a policy that states that any nominee for election as a director at an annual general meeting for whom the number of votes withheld exceeds the number of votes cast in his or her favour will be deemed not to have received the support of shareholders. A director elected in such circumstances will tender his or her resignation to the Chair of the Corporate Governance Committee and that Committee will review the matter and make a recommendation to the Board. The Board will accept the resignation unless there are exceptional circumstances. The Board will, within 90 days of the annual general meeting, issue a public release either announcing the resignation of the director or justifying its decision not to accept the resignation.

If the resignation is accepted, the Board may appoint a new director to fill the vacancy created by the resignation. This policy applies only to uncontested director elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected.

Following the annual general meeting, voting results for directors are issued in a press release and filed on SEDAR at www.sedar.com.

7. Director and Officer Compensation

Director and officer compensation is determined by the Board. The process followed for determining director compensation is described commencing on page 29 and the process followed for executive compensation is described commencing on page 42.

8. Shareholder Survey on Executive Compensation

The Board appreciates the importance that shareholders place on executive compensation and believes that it is important to engage shareholders on this topic. With this in mind, the Company has again put in place a web-based survey to enable our shareholders to provide feedback on our approach to executive compensation as disclosed in this Information Circular. We intend to run this web-based survey on an annual basis. This year, the survey is accessible to shareholders at the Investor Relations section of our website from March 16, 2017 (the date this Information Circular is anticipated to be filed with securities regulators) until June 30, 2017. In order to submit comments, you are asked to provide your name and confirm that you are a current shareholder. Shareholders may comment generally or on specific aspects of our executive compensation and may provide as much detail as they wish. Shareholders who choose to provide an e-mail address may be contacted in order for the Board to better understand their particular concerns. All comments will be provided to the Chair of the Human Resources Committee and discussed at the July 2017 Human Resources Committee meeting to determine whether any actions should be taken to address concerns raised. We will provide a report on this process in our annual disclosure documents next year.

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Report on the 2016 Shareholder Survey

In 2016, we received feedback from one individual shareholder regarding the use of comparator groups in setting compensation. The Human Resources Committee reviewed and discussed the feedback and determined that no changes to the Company's approach to executive compensation were warranted. Management provided a formal written response to the individual who submitted the feedback.

9. Assessments

The Company’s Corporate Governance Principles state as follows:

Performance as a director is the main criterion for determining a director’s ongoing service on the Board. To assist in determining performance, each director will take part in an annual performance evaluation process that shall include both a peer and self-evaluation and a confidential discussion with the Chairman.

Our Board conducts an annual performance evaluation and the Corporate Governance Committee oversees the process. The process is designed to evaluate the effectiveness and contribution of the Board, its Committees and individual directors. Results of the process are reported to the Board. In 2016, the process included the following:

Evaluation of the Chairman of the Board

Directors were provided with an opportunity to evaluate the Chairman of the Board’s performance and to make suggestions for improvement. Directors provided comments on issues that addressed the conduct of Board meetings, leadership issues and the Chairman’s ability to facilitate positive contributions from other directors. Results were tabulated by the Corporate Secretary and were provided to the Chair of the Corporate Governance Committee who then had a private conversation with the Chairman. The content of that conversation was reported by the Chair of the Corporate Governance Committee to the full committee at its September 2016 meeting.

Evaluation of the Board as a Whole

Directors were asked to comment on the general operation and organization of the Board, based on a number of particular elements, and rate the effectiveness of the Board. They were also asked to identify the most significant Board accomplishments over the past year, areas for improvement and particular practices that should be considered for adoption by the Board in order to increase its effectiveness.

Results were tabulated and comments were consolidated by the Corporate Secretary, provided to the Chairman of the Board and then presented to both the Corporate Governance Committee and the Board at their September 2016 meetings.

Evaluation of Committees

Directors were asked to evaluate the Committees in general, as well as the specific Committees on which they sit. Directors provided comments on a number of criteria including the appropriateness of the Committee structure and the reporting of Committee activities to the Board, as well as the operation of the Committees on which they sit based on a number of particular elements, and how the effectiveness of those Committees could be improved.

Comments were consolidated by the Corporate Secretary, provided to the Chairman of the Board and then presented to both the Corporate Governance Committee and the Board at their September 2016 meetings. Each Committee also reviewed the results of its individual Committee evaluation.

Evaluation of Individual Directors

Directors were provided with an opportunity to evaluate their own effectiveness, comment on their peers’ performance and have a private conversation with the Chairman of the Board regarding their performance and the performance of their fellow directors. Directors evaluated themselves and their peers based on a number of criteria, including their understanding of our business, contribution on strategic issues, interaction with management and areas of personal strength. Senior management is also given the opportunity to comment on the performance of individual directors.

The Corporate Secretary received all questionnaires and each director was provided with an individualized report that included the comments received regarding that director’s performance from peers (on an anonymous basis). These reports were

also provided to the Chairman of the Board who then conducted a confidential discussion with each director. The Chairman of the Board reported to the Corporate Governance Committee at its September 2016 meeting regarding this process.

10. Director Tenure

The Board is committed to maintaining an appropriate balance between director retention and renewal. The Company believes that continuity on the Board is an asset and is essential to an effective and well-functioning Board. Due to the number of years it takes to acquire sufficient Company-specific knowledge and the historically long market cycles of the chemical industry, the Company places great value on longer serving directors for their experience and organizational memory.

However, we also value board renewal and believe it is critical to ensuring that we have a high performing board over the long term. Turnover in Board membership provides an opportunity to enhance diversity of perspectives and adds significant value through the ongoing input of fresh ideas and new knowledge.

The Company's Director Tenure Policy does not include term limits for directors nor mandatory retirement age provisions. Instead, the Policy outlines other processes that the Board has adopted to effectively manage board renewal, including:

- annual evaluations of individual directors to monitor the effectiveness of each director’s contribution (discussed in more detail under the heading “Evaluation of Individual Directors” above);
- the Corporate Governance Committee and the Chairman of the Board annually review the membership of the Board to enable the Board to manage its overall composition and maintain a balance of directors to ensure long-term continuity and effectiveness; and
- the Chairman of the Board and the Chair of the Governance Committee are responsible for developing a long-term board succession plan which incorporates input from one-on-one discussions between the Chairman of the Board and each Board member, including discussions regarding estimated future retirement dates for each Board member. This plan is reviewed and updated on an annual basis after the Chairman of the Board completes his one-on-one evaluation meeting with each Board member.

11. Management Succession Planning

The Company has detailed succession plans for each executive officer and each of such officer’s direct reports. For more information on the Company’s succession planning process, please see page 41.

12. Board’s Role in Risk Management Process

The Board’s mandate provides that the Board is responsible for identifying and overseeing the implementation of systems to manage the principal risks of the Company’s business. The Audit, Finance and Risk Committee’s mandate also states that the Audit, Finance and Risk Committee is responsible for reviewing with management, at least annually, the Company’s processes to identify, monitor, evaluate and address important enterprise-wide strategic and business risks.

Management annually undertakes a formal risk review process that includes identifying the principal strategic risks of the Company, assessing the Company’s strategy to mitigate each risk and determining accountability. The results of this process are documented, reviewed and discussed by the Audit, Finance and Risk Committee and the Board. Notwithstanding these formal processes, the Board recognizes that risk management and oversight is a dynamic and continuous process.

In addition, the Board, through the Audit, Finance and Risk Committee, oversees the Company’s risk management strategies and programs, including insurance programs, related to the Company’s key operational risks such as health and safety, shipping, cyber security and financial risks. As well, the Human Resources Committee annually reviews the Company’s compensation policies and practices to confirm their alignment with the Company’s risk management principles and that they do not encourage inappropriate or excessive risk-taking nor are they reasonably likely to have a material adverse effect on the Company.

PART IV COMPENSATION

COMPENSATION OF DIRECTORS

All amounts in this section “Compensation of Directors” are shown in Canadian dollars except where otherwise noted.

Objective and Design of the Director Compensation Program

We are the world’s largest producer and supplier of methanol with sales and operations around the globe and revenues of approximately USD $2 billion in 2016. As such, the main objective of the Company’s director compensation program is to attract and retain directors with international experience, a broad range of relevant skills and knowledge and the ability to successfully carry out the Board’s mandate. The Board’s mandate can be found in section 3 of our Corporate Governance Principles which are attached to this Information Circular as Schedule B and can also be found on our website.

Directors of the Company are required to devote significant time and energy to the performance of their duties. The Terms of Reference for Individual Directors and the Corporate Governance Principles set forth an extensive list of responsibilities and expectations for the Board as a whole and for each individual director. Directors are expected to prepare for and attend an average of six Board meetings per year, participate on Committees and ensure that they stay informed about the Company’s business and the rapidly changing global business environment. Therefore, to attract and retain experienced, skilled and knowledgeable directors who are willing and able to meet these expectations, the Board believes that the Company must offer a competitive compensation package.

Our director compensation program is designed primarily to:

- compensate directors for applying their knowledge, skills and experience in the performance of their duties;
- align the actions and economic interests of the directors with the interests of long-term shareholders; and
- encourage directors to stay on the Board for a significant period of time.

Director compensation is paid only to non-management directors and is comprised primarily of cash fees (including an annual retainer) and a share-based award. Non-management directors are not eligible to receive stock options under the terms of the Company’s Stock Option Plan. The "Directors’ Total Compensation" table on page 33 sets out the total compensation earned by the directors in 2016.

As part of this compensation program, the directors also have share ownership requirements. See “Directors’ Share Ownership Requirements” on page 37 for more details. The Board believes that share ownership requirements further promote the objectives of director retention and alignment with long-term shareholders.

Process for Determining Director Compensation

The Corporate Governance Committee, composed entirely of independent directors, is responsible for annually recommending to the Board for approval the target compensation for the independent directors, including the appropriate compensation elements and the target compensation for each element.

The Corporate Governance Committee reviews director compensation at least every two years and did so in 2015, retaining an independent consultant, Willis Towers Watson, to conduct a review of director compensation. The Corporate Governance Committee has determined that the target compensation level for directors should be competitive with the 50th percentile of a comparator group. The comparator group of companies used for the purposes of reviewing and determining executive compensation was updated by the Human Resources Committee in 2015 to consist of North American-based companies in the chemicals, mining and oil and gas industries with global operations which, where possible, operate in a commodity-based or cyclical business. This same comparator group was used by the Corporate Governance Committee for reviewing and determining director compensation. The current comparator group is listed below.

Agrium*		
Albemarle Corp.	Chemtura Corp.	
Ashland Inc.	FMC Corp.	PolyOne Corp.
Baytex Energy Corp.*	Goldcorp Inc.*	Potash Corp. of Saskatchewan*
Cabot Corp.	IAMGOLD Corp.*	Sherritt International Corp.*
Celanese Corp.	International Flavors & Fragrances Inc.	The Valspar Corp.
Centerra Gold*	Koppers Holdings Inc.	Westlake Chemical Corp.
	Olin Corp.	

* denotes Canadian companies

The 2015 Willis Towers Watson report concluded that there has been a significant change in the market data of the comparator group such that the total compensation of the Company's directors (excluding the Chair) was 23% below the 50th percentile on a currency converted basis. However, in January 2016, to be consistent with prudent cash and cost management efforts made by the Company, the directors determined that no change should be made to director compensation at that time. The directors also decided to review the economic situation in one year's time.

In January 2017, the Board determined that director compensation should be increased in a phased approach and that the proportionate mix of cash and share-based awards should be changed to be more heavily weighted towards share-based awards. For fees earned in 2017, directors' compensation was amended such that (a) directors' compensation was increased to a total of $200,000 being comprised of $90,000 in cash and $110,000 in share-based awards, (b) the Chairman's total compensation remains the same but is now more heavily weighted to share-based awards ($162,000 as cash and $198,000 as share-based awards), and (c) in order to recognize the additional workload of the Chair of the Human Resources Committee, the compensation for the Chair of the Human Resources Committee has been increased from $10,000 to $20,000. All other aspects of director compensation remain unchanged.

Elements of Director Compensation

Director compensation is comprised of two elements, namely (i) annual retainer and other fees and (ii) share-based awards. Each element is described in detail below.

Annual Retainer and Other Fees

During the year ended December 31, 2016, annual retainer and other fees were paid to non-management members of the Board on the following basis:

Annual retainer for a non-management director (excluding the Chairman of the Board)	$90,000	annual
Annual retainer for the Chairman of the Board	$180,000	annual
Annual retainer for Committee Chairs (with the exception of the Chair of the Audit, Finance and Risk Committee)	$10,000	annual
Annual retainer for the Chair of the Audit, Finance and Risk Committee	$20,000	annual
Annual retainer for members of the Audit, Finance and Risk Committee, including the Chair	$10,000	annual
Cross-country or intercontinental travel fee to attend Board or Committee meetings	$2,500	per trip
Travel fee for site visits undertaken separate and apart from attendance at Board or Committee meetings (and not for orientation purposes upon joining the Board)	$2,500	per day

Notwithstanding that directors do not receive meeting attendance fees, if over 10 Board meetings are held in a year, the Corporate Governance Committee has the discretion to determine whether any meeting fees are appropriate.

In 2016, the Chairman of the Board received a flat fee annual retainer and did not receive any additional fees; however, he is eligible to receive the travel fee for site visits undertaken separate and apart from attendance at Board or Committee meetings.

Share-Based Awards - Restricted Share Unit Plan for Directors

Directors are awarded RSUs under the Company's Restricted Share Unit Plan for Directors as part of the share-based component of their compensation. Directors may elect to receive their RSU award in the form of DSUs, which are more fully described in the following section. In addition, commencing in 2014, directors who are in compliance with their share ownership requirements may elect to receive the cash equivalent of their RSU award. In 2016, five directors elected to receive the cash equivalent of their share-based award and in 2017 four directors have elected to receive the cash equivalent of their share-based award. The table below summarizes the share-based awards granted to directors in 2017 and 2016:

	2017	2016
Chairman of the Board	3,000 RSUs or DSUs	4,600 RSUs or DSUs
All other non-management directors	1,700 RSUs or DSUs	2,300 RSUs or DSUs

RSUs are notional shares credited to an "RSU Account." When dividends are paid on Common Shares, an equivalent value of additional RSUs is calculated and credited to each individual's RSU Account. RSUs granted in any year, together with applicable dividend equivalents, will vest on December 1, in the 24th month following the end of the year in which the award was made. Following vesting, directors are entitled to receive a cash payment based on the weighted average closing price of the Common Shares on the TSX during the last 15 days prior to the vesting date, net of applicable withholding tax. RSUs do not entitle participants to any voting or other shareholder rights and are non-dilutive to shareholders.

The Board believes that share-based awards granted to directors both compensate the directors for the performance of their duties and also promote director retention and alignment with the interests of long-term shareholders. The target dollar value of such award ("Target Dollar Value") is determined by the Corporate Governance Committee during its review of director compensation and is targeted to be similar to the awards granted to non-management directors in the 50th percentile of the comparator group as discussed under "Process for Determining Director Compensation."

In 2016, the Target Dollar Value was $90,000 for each non-management director and $180,000 for the Chairman of the Board. In 2016, each non-management director received the number of RSUs (or DSUs) determined by dividing the Target Dollar Value by the weighted average closing price of the Common Shares on the TSX for the 30-day period ending on the date prior to the date of the grant, and then rounded. The grant date was March 4, 2016.

In 2017, the Target Dollar Value was $110,000 for each non-management director and $198,000 for the Chairman of the Board. Each non-management director received the number of RSUs (or DSUs) determined by dividing the Target Dollar Value by the weighted average closing price of the Common Shares on the TSX for the 30-day period ending on the date prior to the date of the grant, and then rounded. The grant date was March 3, 2017.

Deferred Share Unit Plan (Director DSUs)

Under the Company's Deferred Share Unit Plan (the "DSU Plan"), each non-management director elects annually to receive 100%, 50% or 0% of his or her retainer and other fees as DSUs. The actual number of DSUs granted to a director is calculated at the end of each quarter by dividing the dollar amount elected to the DSU Plan by the five-day average closing price of the Common Shares on the TSX during the last five trading days of that quarter. Additional DSUs are credited corresponding to dividends declared on the Common Shares. Under the terms of the DSU Plan, directors must elect to become a member of the DSU Plan by December 31 in any year in order to be eligible to receive DSUs in the following calendar year. Directors may also elect to receive their share-based award in the form of DSUs. See the section above "Share-Based Awards – Restricted Share Unit Plan for Directors".

DSUs held by a director are redeemable only after the date on which the director retires as a director of the Company or upon death ("Termination Date"), and a lump-sum cash payment, net of any withholdings, is made after the director chooses a valuation date. For DSUs granted on or after March 2, 2007, a director may choose a valuation date falling between the Termination Date and December 1 of the first calendar year beginning after the Termination Date, but the director cannot choose a date retroactively. For DSUs granted prior to March 2, 2007, the valuation date chosen may fall on any date within a period beginning one year before the Termination Date and ending on December 1 of the first calendar year beginning after the Termination Date. The lump-sum amount is calculated by multiplying the number of DSUs held in the account by the closing price of the Common Shares on the TSX on the valuation date.

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The Board believes that providing directors with the alternative of receiving their cash fees and share-based awards in the form of DSUs, which may not be redeemed until retirement or death, further promotes director retention and alignment with the interests of long-term shareholders.

Stock Options

Non-management directors ceased being granted stock options in 2003. No non-management director currently holds any stock options. However, Mr. Aitken currently has outstanding TSARs that he acquired prior to his retirement as President & CEO of the Company at the end of 2012.

Perquisites

Certain minor out-of-pocket expenses incurred by directors are paid for by the Company. All such expenses, if any, are included in the “All Other Compensation” column found in the Directors’ Total Compensation table.

Directors' Total Compensation

The following table sets out what each director earned by way of annual retainer, other fees and share-based awards for 2016.

Director	Annual Retainer ($)	Annual Retainer for Committee Chairs ($)	Annual Retainer for Audit Committee Chair ($)	Annual Retainer for Audit Committee Members ($)	Travel Fees & Ad hoc site visit fees[1]	Total Fees Earned[2] ($)	Share-Based Award[3] ($)	All Other Comp-ensation[4] ($)	Total ($)
Bruce Aitken	90,000	—	—	—	12,500	102,500	90,000	1,584	194,084
Douglas Arnell[5]	22,500	—	—	—	—	22,500	—	—	22,500
Howard Balloch	90,000	10,000	—	10,000	12,500	122,500	90,000	66,990	279,490
Phillip Cook	90,000	10,000	—	—	15,000	115,000	106,651	5,769	227,420
John Floren[6]									
Thomas Hamilton	180,000	—	—	—	—	180,000	213,302	14,705	408,007
Robert Kostelnik	90,000	10,000	—	—	17,500	117,500	106,651	7,352	231,503
Douglas Mahaffy	90,000	—	—	—	12,500	102,500	90,000	63,860	256,360
A. Terence Poole	90,000	—	20,000	10,000	12,500	132,500	106,651	81,500	320,651
John Reid[7]	30,000	3,333	—	3,333	—	36,666	90,000	37,026	163,692
Janice Rennie[8]	90,000	6,667	—	10,000	—	106,667	90,000	19,291	215,958
Monica Sloan[9]	30,000	—	—	—	—	30,000	106,651	47,151	183,802
Margaret Walker	90,000	—	—	—	12,500	102,500	106,651	3,366	212,517
Benita Warmbold[10]	82,500	—	—	9,167	15,000	106,667	—	—	106,667
Total	1,065,000	40,000	20,000	42,500	110,000	1,277,500	1,196,557	348,594	2,822,651

(1) Travel fees are paid per trip for cross-country or intercontinental travel to attend Board or Committee meetings or for site visits undertaken separate and apart from attendance at Board or Committee meetings (and not for orientation purposes upon joining the Board).

(2) This column includes all retainers and travel fees earned during 2016, including any paid in DSUs. Under the DSU Plan, non-management directors may elect to receive 100%, 50% or 0% of their annual cash retainer as DSUs. The DSU Plan is more fully described under "Deferred Share Unit Plan (Director DSUs)". In 2016, Mr. Poole elected to receive 100% of his cash retainer as DSUs (2,940 DSUs). The number and value of the DSUs received by Mr. Poole in lieu of fees are reflected in the "Directors' Share-Based Awards - Value Vested During the Year" table on page 36.

(3) This column reflects the grant date fair value of the share-based compensation (RSUs and DSUs) received by directors in 2016. The value shown is calculated by multiplying the number of RSUs or DSUs awarded in 2016 by the closing price of the Common Shares on the TSX on March 3, 2016, the day before such share units were granted, being $46.37. The grant date fair value shown in this column is the same as the accounting fair value. Directors can elect to receive their share-based compensation award as RSUs or DSUs. Commencing in 2014, if share ownership requirements are met, directors may elect to receive the value of their share-based award as cash, being $90,000. Please see "Share-Based Awards - Restricted Share Unit Plan for Directors" for more information. In 2016, Messrs. Aitken, Balloch and Mahaffy and Ms. Rennie made such election and it was paid quarterly. Mr. John Reid, who did not stand for re-election at the 2016 Annual General Meeting of shareholders, also elected to receive his 2016 share-based award as cash.

(4) This column is made up of the value of additional share units earned by directors in 2016 (RSUs and/or DSUs as applicable) corresponding to dividends being declared on Common Shares during 2016. See "Share-Based Awards – Restricted Share Unit Plan for Directors" and "Deferred Share Unit Plan (Director DSUs)" for more information on

dividend equivalents. With respect to dividend equivalent DSUs, the value of dividend equivalent additional DSUs is calculated by multiplying the number of such units by the Canadian dollar closing price of the Common Shares of the TSX on the day that such units were credited. With respect to dividend equivalent RSUs, the value of dividend equivalent additional RSUs is calculated by multiplying the number of such units by the weighted average Canadian dollar closing price of the Common Shares of the TSX for the 15 trading days prior to the day that such units were credited. No other perquisites were paid in 2016.

(5) Mr. Arnell was appointed a director effective October 1, 2016 and was not eligible to receive share-based awards in 2016.

(6) Mr. Floren is President & CEO of the Company and therefore did not receive any compensation as a director. See "Statement of Executive Compensation" for information on Mr. Floren's compensation in 2016.

(7) Mr. Reid retired as a director in April 2016.

(8) In April 2016, Ms. Rennie became Chair of the Human Resources Committee and, accordingly, the quarterly committee chair fee was paid starting the second quarter on a pro-rated basis.

(9) Ms. Sloan retired as a director in April 2016.

(10) Ms. Warmbold was appointed a director effective February 1, 2016 and was not eligible to receive share-based awards in 2016.

Directors' Outstanding Share-Based Awards

The following table shows the number of share-based awards held by each director as at December 31, 2016. Directors do not receive option-based awards.

	Outstanding Share-Based Awards as at December 31, 2016		
Director	Shares or Units of Shares that Have Not Vested[1] (#)	Market or Payout Value of Share-Based Awards that Have Not Vested[1] ($)	Market or Payout Value of Vested Share-Based Awards Not Paid Out or Distributed[2] ($)
Bruce Aitken	—	—	—
Douglas Arnell[3]	—	—	—
Howard Balloch	—	—	1,471,956
Phillip Cook	4,068	239,565	—
John Floren[4]			
Thomas Hamilton	8,137	479,188	—
Robert Kostelnik	4,068	239,565	—
Douglas Mahaffy	—	—	1,703,334
A. Terence Poole	—	—	3,163,041
John Reid[5]	—	—	812,034
Janice Rennie	—	—	735,242
Monica Sloan[6]	—	—	1,063,789
Margaret Walker	2,374	139,805	—
Benita Warmbold[7]	—	—	—

(1) These columns reflect the number and value of outstanding unvested RSUs as at December 31, 2016 and include dividend equivalent RSUs credited since the date of the original RSU grants. The value of the RSUs outstanding is calculated by multiplying the number of RSUs outstanding by the closing price of the Common Shares on the TSX on December 31, 2016, being $58.89.

(2) This column reflects the value of vested DSUs received as their annual share-based award ("Annual DSUs") held by each director as at December 31, 2016, and includes dividend equivalent Annual DSUs credited since the date of the original Annual DSU grants. The value of the Annual DSUs is calculated by multiplying the number of Annual DSUs outstanding by the closing price of the Common Shares on the TSX on December 31, 2016, being $58.89.

(3) Mr. Arnell was appointed a director effective October 1, 2016 and was not eligible to receive share-based awards in 2016.

(4) Mr. Floren was President & CEO during 2016 and therefore did not receive any compensation as a director. See "Statement of Executive Compensation" for information on Mr. Floren's compensation in 2016.

(5) Mr. Reid retired as a director in April 2016. Following retirement, in 2016 he redeemed 29,462 of his outstanding DSUs and, in accordance with the terms of the DSU Plan, he received a gross cash payment totaling $1,990,448. Mr. Reid did not hold any RSUs on his retirement date.

(6) Ms. Sloan retired as a director in April 2016. Following retirement, in 2016 she redeemed 22,035 of her outstanding DSUs and, in accordance with the terms of the DSU Plan, she received a gross cash payment totaling $1,631,297. Ms. Sloan did not hold any RSUs on her retirement date.

(7) Ms. Warmbold was appointed a director effective February 1, 2016 and was not eligible to receive share-based awards in 2016.

The following table shows the total number and value of DSUs, including both DSUs received in lieu of fees and received as annual share-based awards ("Outstanding DSUs"), held by each director as at December 31, 2016 and includes dividend equivalent Outstanding DSUs credited since the date of the original Outstanding DSU grants. The value is calculated by multiplying the number of Outstanding DSUs by the closing price of the Common Shares on the

TSX on December 31, 2016, being $58.89. The actual amount paid to a director on settlement of Outstanding DSUs depends on the valuation date chosen by the director, and the valuation date may be retroactive in the case of Outstanding DSUs granted prior to March 2, 2007. See “Deferred Share Unit Plan (Director DSUs)” for more detailed information regarding the DSU Plan and the valuation date that directors may choose.

Director	Number of Outstanding DSUs as at Dec. 31, 2016			Value of Outstanding DSUs as at Dec. 31, 2016
	Granted prior to Mar. 2, 2007	Granted on or after Mar. 2, 2007	Total DSUs Held	($)
Bruce Aitken	—	—	—	—
Douglas Arnell[1]	—	—	—	—
Howard Balloch	—	47,235	47,235	2,781,669
Phillip Cook	—	—	—	—
John Floren[2]				
Thomas Hamilton	—	—	—	—
Robert Kostelnik	—	—	—	—
Douglas Mahaffy	—	45,028	45,028	2,651,699
A. Terence Poole	19,208	39,978	59,186	3,485,464
John Reid[3]	—	13,789	13,789	812,034
Janice Rennie	—	12,485	12,485	735,242
Monica Sloan[4]	—	27,978	27,978	1,647,624
Margaret Walker	—	—	—	—
Benita Warmbold[5]	—	—	—	—

(1) Mr. Arnell was appointed a director effective October 1, 2016 and was not eligible to receive share-based awards in 2016.

(2) Mr. Floren was President & CEO during 2016 and therefore did not receive any compensation as a director. See "Statement of Executive Compensation" for information on Mr. Floren's compensation in 2016.

(3) Mr. Reid retired as a director in April 2016. Following retirement, in 2016 he redeemed 29,462 of his outstanding DSUs and, in accordance with the terms of the DSU Plan, he received a gross cash payment totaling $1,990,448.

(4) Ms. Sloan retired as a director in April 2016. Following retirement, in 2016 she redeemed 22,035 of her outstanding DSUs and, in accordance with the terms of the DSU Plan, she received a gross cash payment totaling $1,631,297.

(5) Ms. Warmbold was appointed a director effective February 1, 2016 and was not eligible to receive share-based awards in 2016.

Directors' Share-Based Awards – Value Vested during the Year

The following table shows the aggregate dollar value realized by each director upon vesting of share-based awards during 2016. Directors do not receive stock options and do not receive any non-equity incentive plan compensation.

Director	Share-Based Awards – Value Vested during the Year									
	Number Vested during 2016 (#)					Value Vested during 2016 ($)				
	RSUs[1]	DSUs[2]				RSUs[3]	DSUs[2]			
	Share-Based Award	Granted in Lieu of Fees[4]	Share-Based Award[5]	Dividend Equivalents[6]	Total	Share-Based Award	Granted in Lieu of Fees[4]	Share-Based Award[5]	Dividend Equivalents[6]	Total
Bruce Aitken	1,497	—	—	—	1,497	80,671	—	—	—	80,671
Douglas Arnell[7]	—	—	—	—	—	—	—	—	—	—
Howard Balloch	—	—	—	1,484	1,484	—	—	—	66,990	66,990
Phillip Cook	—	—	—	—	—	—	—	—	—	—
John Floren[8]										
Thomas Hamilton	2,995	—	—	—	2,995	161,343	—	—	—	161,343
Robert Kostelnik	1,497	—	—	—	1,497	80,671	—	—	—	80,671
Douglas Mahaffy	—	—	—	1,415	1,415	—	—	—	63,860	63,860
A. Terence Poole	—	2,940	2,300	1,803	7,043	—	132,500	106,651	81,500	320,651
John Reid[9]	—	—	—	852	852	—	—	—	37,026	37,026
Janice Rennie	1,497	—	—	392	1,889	80,671	—	—	17,708	98,379
Monica Sloan[10]	—	—	2,300	1,058	3,358	—	—	106,651	47,151	153,802
Margaret Walker	—	—	—	—	—	—	—	—	—	—
Benita Warmbold[11]	—	—	—	—	—	—	—	—	—	—

(1) This column represents RSUs that were awarded in 2014 and vested on December 1, 2016, together with dividend equivalent RSUs credited in respect thereof. See “Share-Based Awards – Restricted Share Unit Plan for Directors” for more information.

(2) DSUs vest immediately upon grant; however, they may not be redeemed by a director until retirement or upon death. Directors may elect to receive 100%, 50% or 0% of their annual retainer and other fees as DSUs. Directors may also elect to receive their share-based award in the form of DSUs. Additional DSUs are credited each quarter corresponding to dividends declared on Common Shares. See “Deferred Share Unit Plan (Director DSUs)” for more information.

(3) The value of the RSUs shown in this column reflects the amount actually paid to directors for RSUs that vested on December 1, 2016, calculated in accordance with the terms of the RSU Plan by multiplying the number of vested units (including fractional units) by the weighted average closing price of the Common Shares on the TSX during the 15 trading days prior to the vesting date, being $53.87.

(4) These columns reflect the number and value of DSUs received in lieu of fees earned in 2016, as elected by non-management directors. The value is equal to the Total Fees Earned column in the Directors' Total Compensation table on page 33. DSUs are granted in lieu of fees on a quarterly basis and the number of DSUs granted at the end of each quarter is calculated by dividing one-quarter of the annual fees elected to be received as DSUs by the average closing price of the Common Shares on the TSX on the last five trading days of the preceding fiscal quarter. In 2016, Mr. Poole elected to receive 100% of his cash retainer as DSUs.

(5) These columns reflect the number and value of DSUs granted to directors in 2016 as share-based awards. The value shown is the grant date fair value (which is the same as accounting fair value) and is calculated by multiplying the number of DSUs awarded in 2016 by the closing price of the Common Shares on the TSX on March 3, 2016, the day before such share units were granted, being $46.37. Directors can elect to receive their share-based award as RSUs or DSUs, or the cash equivalent. See “Share-Based Awards—Restricted Share Unit Plan for Directors” for more information.

(6) These columns reflect dividend equivalent additional DSUs credited on outstanding DSUs in 2016, and the value is calculated by multiplying the number of such additional DSUs by the closing price of the Common Shares on the

TSX on the day that such DSUs were credited.

(7) Mr. Arnell was appointed a director effective October 1, 2016 and was not eligible to receive share-based awards in 2016.

(8) Mr. Floren was President & CEO during 2016 and therefore did not receive any compensation as a director. See "Statement of Executive Compensation" for information on Mr. Floren's compensation in 2016.

(9) Mr. Reid retired as a director in April 2016.

(10) Ms. Sloan retired as a director in April 2016.

(11) Ms. Warmbold was appointed a director effective February 1, 2016 and was not eligible to receive share-based awards in 2016.

Directors' Share Ownership Requirements

Since 1998, the Company has had share ownership guidelines for directors to promote shareholder alignment and, in early 2011, these became a requirement. Each non-management director must own Common Shares having a value equal to at least 2 times his or her total retainer, which includes both the cash and equity components of the retainer. In the event a share price change results in a director falling below the minimum shareholding requirement, that director has one year in which to meet the requirement. RSUs and DSUs held by a director are considered when determining whether the individual is meeting the share

ownership requirements. All new directors have a reasonable period of time within which to meet their share ownership requirement.

The following table shows, among other things, the number of Common Shares, RSUs and DSUs held by each director as at March 3, 2017 compared to the number of Common Shares, RSUs and DSUs held as at March 4, 2016 and the percentage of the requirement achieved for each director based on their holdings as at March 3, 2017.

Director	Director Since	As At	Common Shares Held[1] (#)	Share Units Held (#)		Total Common Shares and Share Units Held (#)	T A V C S S U ($
				RSUs	DSUs		
Bruce Aitken	Jul-04	Mar 3, 2017	121,289	—	—	121,289	7
		Mar 4, 2016	121,289	1,460	—	122,749	4
		Change	0	-1,460	—	-1,460	+
Douglas Arnell[4]	Oct-16	Mar 3, 2017	1,360	—	1,700	3,060	1
Howard Balloch	Dec-04	Mar 3, 2017	1,700	—	47,235	48,935	3
		Mar 4, 2016	1,700	—	45,751	47,451	1
		Change	0	—	+1,484	+1,484	+
Phillip Cook	May-06	Mar 3, 2017	25,000	5,768	—	30,768	1
		Mar 4, 2016	25,000	3,942	—	28,942	1
		Change	0	+1,826	—	+1,826	+
John Floren[5]	Jan-13						
Thomas Hamilton[6]	May-07	Mar 3, 2017	24,000	11,137	—	35,137	2
		Mar 4, 2016	24,000	10,802	—	34,802	1
		Change	0	+335	—	+335	+
Robert Kostelnik	Sep-08	Mar 3, 2017	21,000	5,768	—	26,768	1
		Mar 4, 2016	21,000	5,401	—	26,401	1
		Change	0	+367	—	+367	+
Douglas Mahaffy	May-06	Mar 3, 2017	1,900	—	45,028	46,928	2
		Mar 4, 2016	1,900	—	43,613	45,513	1
		Change	0	—	+1,415	+1,415	+
A. Terence Poole[7]	Feb-94	Mar 3, 2017	37,000	—	60,886	97,886	6
		Mar 4, 2016	37,000	—	54,443	91,443	3
		Change	0	—	+6,443	+6,443	+
Janice Rennie	May-06	Mar 3, 2017	3,000	0	12,485	15,485	9

		Mar 4, 2016	3,000	1,460	12,093	16,553	6
		Change	—	-1,460	+392	-1,068	+
Margaret Walker	Apr-15	Mar 3, 2017	3,076	4,074	—	7,150	4
		Mar 4, 2016	3,076	2,300	—		

If holders of St. Paul common stock and St. Paul Series B convertible preferred stock, voting as a single class, representing two-thirds of the votes eligible to be cast by such shareholders, vote in favor of this additional articles amendment then, in addition to the amendments described above under Required Articles Amendment , the St. Paul articles of incorporation will be amended to delete Article V in its entirety and renumber the subsequent articles. Article V currently requires, where shareholder approval, authorization or adoption is required under Minnesota law for any of the following transactions, the affirmative vote of the holders of at least two-thirds of the voting power of all voting shares to approve: any plan of merger; any plan of exchange; any sale, lease, transfer or other disposition of all or substantially all of St. Paul s property and assets, including its goodwill, not in the usual and regular course of business; or any dissolution of St. Paul.

As a result of such amendment, the required vote for any such transaction will be such vote as is required by the general rules provided by Minnesota law. For these transactions, the general rule requires approval by a majority of the voting power of the outstanding shares entitled to vote.

Article V also currently requires the approval of a majority of the voting power of all voting shares to amend any article of St. Paul s articles of incorporation other than Article V. As a result of the proposed amendment, the required vote for any amendments to the St. Paul Travelers articles of incorporation will be a majority of the voting power represented in person or by proxy at a meeting for which a quorum is present.

BYLAWS AMENDMENT

The following discussion describes the material changes to the St. Paul bylaws that have been proposed for approval by the St. Paul shareholders. Approval of the bylaws amendment is a condition to completion of

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the merger. Appendix D to this document contains the complete text of the St. Paul bylaws as proposed to be amended. We urge you to read this appendix in its entirety.

Governance Committee

The bylaws amendment will establish a governance committee of the St. Paul Travelers board of directors which, at the closing of the merger, will initially be composed of three directors (including a co-chairman) designated by St. Paul and three directors (including a co-chairman) designated by Travelers. The governance committee will have responsibility for undertaking a complete review of St. Paul Travelers governance standards and policies and for making a comprehensive governance recommendation to the board of directors on January 1, 2006 or on such earlier date as the governance committee shall determine.

The amended bylaws will provide that the governance committee will have the exclusive delegated authority of the St. Paul Travelers board of directors to nominate individuals for election to the board of directors by the shareholders of St. Paul Travelers and to designate individuals to fill newly created positions on the board of directors. Pursuant to the required articles amendment, until January 1, 2006, the governance committee will exercise such authority only by the affirmative vote of at least two-thirds of its members. In addition, until January 1, 2006, (i) a majority of the membership of the governance committee that was initially designated by St. Paul (and their designated successors) will have the exclusive delegated authority of the board of directors to fill any vacancy on the board of directors, or on any committee of the board of directors, formerly held by a director designated by St. Paul and (ii) a majority of the membership of the governance committee that was initially designated by Travelers (and their designated successors) will have the exclusive delegated authority of the board of directors to fill any vacancy on the board of directors, or on any committee of the board of directors, formerly held by a director designated by Travelers. The amended bylaws will provide that the governance committee will seek meaningful input on nominations from the executive chairman and the chief executive officer of St. Paul Travelers.

Management

The amended bylaws will describe the responsibilities of each of the chairman of the board of directors, the chief executive officer, the chief financial officer, the chief legal officer, the chief investment officer and the corporate secretary of St. Paul Travelers. The responsibilities of the chairman of the board of directors and the chief executive officer are described below. For a description of the responsibilities of the other executive officers, see the form of bylaws amendment attached as Appendix D to this document.

Chairman of the Board of Directors. Upon completion of the merger, Robert I. Lipp is expected to be executive chairman of the board of directors of St. Paul Travelers, an executive officer position. Under the terms of the amended bylaws, the chairman of the board of directors will, subject to the supermajority approval requirements described above under Required Articles Amendment Governance Arrangements until January 1, 2006 :

- consult with the chief executive officer and the board of directors on the strategic direction of the company;
- report solely to the board of directors;

jointly preside with the chief executive officer at all meetings of the board of directors; and

perform such other duties as may be prescribed by the board of directors or the St. Paul Travelers bylaws.

The chairman of the board of directors may be, but is not required to be, the chief executive officer or another executive officer of the corporation.

Chief Executive Officer. Upon completion of the merger, Jay S. Fishman is expected to be chief executive officer of St. Paul Travelers. Under the terms of the amended bylaws, subject to the supermajority

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approval requirements described above under Required Articles Amendment Governance Arrangements until January 1, 2006 , the chief executive officer will:

- in consultation with the chairman and the board of directors, have responsibility for planning the strategic direction of the company;
- subject to the direction of the board of directors, have responsibility for the supervision, coordination and management of the business and affairs of the corporation;
- preside at all shareholder meetings and jointly preside with the chairman at all meetings of the board of directors;
- have responsibility to direct and guide the combined company s operations to achieve corporate profit, growth and social responsibility objectives;
- report solely to the board of directors (with other officers reporting to the chief executive officer);
- see that all orders and resolutions of the board of directors are carried into effect; and
- perform such other duties prescribed by the board of directors or the bylaws.

As described above under Required Articles Amendment Governance Arrangements until January 1, 2006 , the amended articles of incorporation of St. Paul Travelers will provide that any change by the board of directors in the duties, authority or reporting relationships of the chairman or chief executive officer will require the approval of two-thirds of the members of the entire St. Paul Travelers board of directors.

Other Changes to the Bylaws

Other changes to the bylaws proposed to be effected by the bylaws amendment are as follows:

Annual Meeting. Under the amended bylaws, the St. Paul Travelers board of directors will have the authority to determine the date for the annual meeting of shareholders. Under the existing bylaws, the chief executive officer and the board of directors each have the authority to determine the date for the annual meeting.

Meetings of the Board of Directors. The amended bylaws increase the number of required regular meetings of the St. Paul Travelers board of directors from four per year to five per year and require that one such meeting be held in the State of Connecticut.

Other Changes. A number of conforming and other incidental changes will be made to the St. Paul Travelers bylaws.

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INTERESTS OF CERTAIN PERSONS IN THE MERGER

St. Paul

Certain members of St. Paul s management and board of directors may be deemed to have financial interests in the merger that are in addition to, or different from, their interests as shareholders of St. Paul. The St. Paul board of directors was aware of these interests and considered them, among other matters, in approving the transaction and the merger agreement.

Employment Agreements with Executive Officers

Jay S. Fishman. As of the completion of the merger, Jay S. Fishman will be the chief executive officer of St. Paul Travelers. Mr. Fishman has an existing employment agreement with St. Paul; however, pursuant to a letter of understanding that Mr. Fishman entered into with St. Paul, he will enter into a new employment agreement with St. Paul Travelers, to be effective upon the consummation of the merger, that will have a five-year term and will be substantially the same as his existing employment agreement, except as noted below.

It is anticipated that Mr. Fishman s compensation opportunity, including his salary, incentive compensation and stock options, will be determined by the compensation committee of the board of directors of St. Paul Travelers, based on compensation levels for chief executive officers of comparable financial services companies and will be not less favorable to Mr. Fishman than his existing employment agreement.

Under Mr. Fishman s existing employment agreement, his outstanding stock options will automatically vest and become exercisable upon the closing of the merger. In the letter of understanding referred to above, Mr. Fishman has agreed that so long as he remains employed as the chief executive officer by St. Paul or St. Paul Travelers, and he becomes the chairman of the board of directors of St. Paul Travelers on January 1, 2006, he would not intend to exercise any of those options until after they would have been exercisable in accordance with their terms and vesting schedules in effect on November 16, 2003. In addition, Mr. Fishman acknowledges that the stock option granted to him on February 2, 2004 will not become exercisable in connection with the transaction, notwithstanding the terms of his existing employment agreement, and will, instead, become exercisable in accordance with the terms contained in the term sheet governing such stock option.

Under Mr. Fishman s existing employment agreement, he would have been entitled to resign for any reason during the 12-month period immediately following the consummation of the merger. In addition, under The St. Paul Companies, Inc. Amended and Restated Special Severance Policy (described in further detail under Existing Agreements and Arrangements Special Severance Policy), Mr. Fishma would have been entitled to resign for any reason during the 30-day period commencing one year after the consummation of the merger. In either case, Mr. Fishman would have been entitled to have such resignation treated as a termination for good reason or a qualifying termination , respectively, which wou have entitled him to severance benefits. However, in the letter of understanding referred to above, he has waived this right directly related to this merger, but he has reserved the right to resign for good reason as it may otherwise be defined in his new employment agreement for certain future events specified therein, including his not being elected chairman of the board of St. Paul Travelers effective January 1, 2006.

Under his existing employment agreement, if Mr. Fishman were terminated without cause or if he were to resign for good reason (each as defined therein) within two years following the consummation of the merger, Mr. Fishman would receive a payment equal to three times the sum of his base salary and the greater of his target bonus or his bonus for the preceding year, up to three years of medical and dental coverage and immediate vesting of all stock options and restricted stock. In addition, all outstanding options would remain exercisable for the lesser of five years or the remainder of their respective terms. In the event Mr. Fishman were subject to excise tax under Section 4999 of the Code on any payments to him, he would receive a gross-up payment to compensate him for such tax liability. In addition, Mr. Fishman would be entitled to the benefits provided to Tier 1 employees under the special severance policy referred to above if his employment terminates under the circumstances provided under such policy.

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As described in further detail under The Merger Agreement Certain Post-Merger Governance Matters, it is expected that Mr. Fishman will assume the role of chairman of the St. Paul Travelers board of directors in addition to his remaining as chief executive officer upon Robert I. Lipp s retirement in December 2005.

John A. MacColl. Under a letter agreement that John A. MacColl, vice chairman and general counsel of St. Paul, previously entered into with St. Paul, Mr. MacColl was awarded a retention incentive award in the amount of $5 million, which will fully vest on February 5, 2005, provided he remains employed by St. Paul until such date, and he will generally be paid this retention award, together with any earnings thereon, in a lump sum on the first date following February 5, 2005 on which no portion of such payment would be non-deductible under Section 162(m) of the Code. If Mr. MacColl is terminated without cause (as define therein) or he resigns for good reason (as defined therein) at any time, then his retention award, together with any earnings thereon, will fully vest and be paid to him no later than 30 days following such termination of employment. As the consummation of the merger will constitute a reorganization under Mr. MacColl s agreement, unless Mr. MacColl retains his current title and position with St. Paul Travelers, he will be deemed to have been assigned duties and responsibilities that are materially inconsistent with his current title and position, entitling him to resign for good reason . If, following the consummation of the merger, Mr. MacColl s employment is terminated without cause or by him for good reason, any amount vested or payable under the letter agreement will be treated as a payment for purposes of determining any gross-up payment to offset the effect of any excise tax imposed by Section 4999 of the Code on any excess parachute payment , subject to certain limitations. It is expected that Mr. MacColl will continue as vice chairman and chief legal officer of St. Paul Travelers following consummation of the merger.

Mr. MacColl is also a Tier 1 employee under The St. Paul Companies, Inc. Amended and Restated Special Severance Policy which is described in further detail below under Existing Agreements and Arrangements Special Severance Policy

Thomas A. Bradley and Marita Zuraitis. Thomas A. Bradley and Marita Zuraitis are expected to receive a retention bonus of $750,000 if they stay with St. Paul or St. Paul Travelers through December 31, 2004. In addition, they will each receive a bonus for 2004 equal to at least their 2002 annual bonus, and they will remain entitled to any other severance or similar payments or benefits to which they otherwise may be entitled.

Other Officers. Consummation of the merger will entitle a number of other members of the St. Paul senior management team who may join the senior management team of the combined company, to specified payments and benefits under their existing employment agreements, if they are terminated or resign following the consummation of the merger under specified conditions. These benefits are the same as those that they would have received under The St. Paul Companies, Inc. Amended and Restated Special Severance Policy, described below in Existing Agreements and Arrangements Special Severance Policy .

Existing Agreements and Arrangements

Directors Charitable Award Program. The consummation of the merger will constitute a change of control under The St. Paul Companies, Inc. Directors Charitable Award Program. Under this program, each participating director will become immediately vested in his or her existing right to designate $1 million of charitable gifts to be made by St. Paul Travelers to tax-exempt organizations.

Equity Compensation Plans. The consummation of the merger also will constitute a change of control under the equity compensation plans of St. Paul, other than three equity compensation plans for participants in the United Kingdom and Ireland. Under these equity compensation plans, all stock options will become immediately vested and exercisable in full, and all restrictions applicable to shares of restricted stock will lapse, other than stock options and shares of restricted stock granted on February 2, 2004 under The St. Paul Companies, Inc. Amended and Restated 1994 Stock Incentive Plan.

Special Severance Policy. The consummation of the merger will also constitute a change of control under The St. Paul Companies, Inc. Amended and Restated Special Severance Policy, referred to in this

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section as the policy, under which covered employees will receive severance benefits in the event their employment terminates under certain specified conditions within two years following the consummation of the merger. As described below, there are three tiers of employees covered by the policy.

Under the policy, if a Tier 1 employee is terminated without cause or resign for good reason at any time within two years after the consummation of the merger or terminates for any reason during the 30-day period following one year after the consummation of the merger, then he or she will be entitled to the severance benefits described below. For purposes of the policy, the term Tier 1 employee means the chairman of St. Paul, an executive officer of St. Paul who reports directly to the chairman or any other employee of St. Paul or a specified subsidiary who is designated by the personnel and compensation committee of the St. Paul board of directors as qualifying based on the determination that the employee is in a position to contribute in substantial measure to the successful achievement of St. Paul s objectives, and Tier 1 employees include several individuals who are expected to join the senior management team of the combined company, as described in The Merger Board of Directors and Management of St. Paul Travelers Following the Merger; Business Lines . For a Tier 1 employee, the term cause is defined as the willful engaging in illegal conduct or gross misconduct which is demonstrably and materially injurious to St. Paul or its affiliates or willful and continued failure to perform substantially his or her duties after a written demand is delivered by the St. Paul board of directors, and the term good reason is defined to include such situations as a change in duties or responsibilities that is inconsistent in any materially adverse respect with the Tier 1 employee s positions, duties, responsibilities or status prior to the change of control, a materially adverse change in his or her titles and offices (including, if applicable, membership on the board of directors of St. Paul) as in effect prior to the change of control, a reduction in his or her rate of base salary or annual target bonus opportunity, job relocations of a certain type and failure to maintain benefits that are substantially the same as are in effect when the change of control occurs.

The following is a summary of the severance benefits provided to Tier 1 employees under the policy:

- a Tier 1 employee will receive a lump-sum severance payment equal to three times the sum of (i) the highest annual base salary rate payable to him or her during the 12-month period immediately prior to termination and (ii) his or her target bonus for the year of termination;
- participation will be continued for three years in those medical, dental, disability and life insurance programs in which the Tier 1 employees participated on the date employment terminated;
- outplacement assistance will be provided which is no less favorable than under the terms of the outplacement assistance plan applicable to the Tier 1 employee at the time of the change of control, unless he or she elects to receive a lump sum cash payment in lieu thereof; and
- if the payments to the Tier 1 employee would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Code, then he or she will be reimbursed for the amount of such excise tax (and the income and excise taxes on such reimbursement), subject to certain limitations.

Under the policy, if a Tier 2 employee is terminated without cause or resign for good reason (such terms are substantially similarly defined as they are for Tier 1 employees) at any time within two years after the consummation of the merger, then he or she will be entitled to the same severance benefits as Tier 1 employees, except that:

a Tier 2 employee will receive a lump-sum severance payment equal to two (instead of three) times the sum of (i) the highest annual base salary rate payable to him or her during the 12-month period immediately prior to termination and (ii) his or her target bonus for the year of termination;

participation will be continued for two (instead of three) years in those medical, dental, disability and life insurance programs in which the Tier 2 employee participated on the date employment terminated; and

if the payments to the Tier 2 employee would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Code, then his or he payments will be reduced to the extent necessary to avoid any such excise tax.

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For purposes of the policy, the term Tier 2 employee means any employee who serves St. Paul or St. Paul Fire and Marine Insurance Company as vice president or above, other than a Tier 1 employee, and any other employee of St. Paul or a specified subsidiary who has substantially equivalent responsibilities and is designated by the chief executive officer of St. Paul as a Tier 2 employee.

Under the policy, if a Tier 3 employee is terminated without cause or resign for good reason at any time within two years after the consummation of the merger then he or she will be entitled to severance pay in the amount of two weeks pay times the number of years of service, provided that no Tier 3 employee may receive severance pay for less than 8 weeks or more than 52 weeks. For purposes of the policy, the term Tier 3 employee means any regular, full-time employee of St. Paul or a specified subsidiary, other than a Tier 1 employee or a Tier 2 employee. For a Tier 3 employee, the term cause is defined as engaging in illegal conduct or gross misconduct which is injurious to St. Paul or its affiliates or willful and continued failure to perform substantially his or her duties, and the term good reason is define as a reduction in the Tier 3 employee s base salary or a job relocation of a certain type.

Other Employee Plans. The consummation of the merger will constitute a change in control under The St. Paul Companies, Inc. Stock Ownership Plan and The St. Paul Companies, Inc. Savings Plus Plan. Under these plans, participants will have a vested and non-forfeitable interest in the full balance of their accounts.

Travelers

Certain members of Travelers management and board of directors may be deemed to have financial interests in the merger that are in addition to, or different from, their financial interests as shareholders of Travelers. The Travelers board of directors was aware of these financial interests and considered them, among other matters, in approving the merger agreement.

Employment Agreements with Executive Officers

Robert I. Lipp. Travelers currently has an employment agreement with Robert I. Lipp, chairman and chief executive officer of Travelers. In connection with the signing of the merger agreement, Travelers has entered into an amended and restated executive employment agreement with Mr. Lipp which will become effective upon completion of the merger and will supersede and replace his existing employment agreement. At the time of the merger, St. Paul Travelers, as the parent corporation following the merger, will assume and agree to perform the amended and restated employment agreement.

Pursuant to the amended and restated agreement, Mr. Lipp will serve as executive chairman of the St. Paul Travelers board of directors, an executive officer position, for a term commencing on the closing date of the merger and ending on December 31, 2005. Mr. Lipp s annual base salary will be not less than his current base salary of $750,000, and he will participate in bonus and other incentive plans intended for senior management.

The amended and restated agreement preserves provisions of Mr. Lipp s existing employment agreement providing that the option granted to Mr. Lipp by Travelers on March 22, 2002 will be converted in accordance with the terms of the merger agreement into an option to purchase shares of the common stock of St. Paul Travelers, and will be fully vested upon completion of the merger. The agreement adds a provision that the converted option generally will remain exercisable until the expiration of its stated 10-year term. The conversion of the option may result in

accounting adjustments which are not reflected in the pro forma financial statements contained in this document. However, if Mr. Lipp becomes an employee or director of certain specified competitors of St. Paul Travelers following the termination of his employment, the converted option will remain exercisable for period of 30 days after he commences such employment or directorship, but not beyond its stated term.

Pursuant to the amended and restated agreement, Mr. Lipp will be eligible for additional annual grants of options and other equity awards. Any future equity grant will be fully vested and remain exercisable for the shorter of two years or the stated term if Mr. Lipp s employment is terminated by the combined company without cause or by him for good reason or in the event of a future change in control (as defined in

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St. Paul Travelers then equity plan) that occurs after the merger. Mr. Lipp is also entitled to certain benefits and perquisites.

The amended and restated agreement also provides that if Mr. Lipp s employment is terminated by the combined company without cause or by him for good reason (as defined therein and which includes any termination by Mr. Lipp during the 30-day period following the six-month anniversary of a future change in control that occurs after the merger), he will be entitled to:

- a lump sum payment in an amount equal to three times the sum of (a) his annual salary and (b) the highest annual bonus paid to him for the three performance years prior to his termination; and
- all accrued benefits.

Pursuant to Mr. Lipp s existing employment agreement, Mr. Lipp may terminate his employment for any reason during a 60-day period beginning six months following completion of the merger and receive the severance benefits described in the preceding paragraph. In connection with the merger and the amendment and restatement of his employment agreement, Mr. Lipp has agreed to waive this right and, consequently, the provision as it relates to the merger has been eliminated in the amended and restated agreement.

Under the amended and restated agreement, Mr. Lipp will be entitled to a gross-up payment in the event that any amount payable to him becomes subject to excise tax under Section 4999 of the Code.

Maria Olivo. Travelers has entered into an offer letter agreement dated May 22, 2002 with Maria Olivo, executive vice president of Travelers. Pursuant to the letter agreement, if, within the first two years of Ms. Olivo s employment, Travelers experiences a change in control (which includes the merger) and Ms. Olivo leaves within one year, or Mr. Lipp s employment with Travelers terminates and Ms. Olivo leaves within one year, or Ms. Olivo is terminated without cause (as defined therein), or Ms. Olivo leaves Travelers because she has been demoted or her responsibilities have been significantly diminished without her consent or she becomes disabled and is unable to perform her duties for six months or longer, Ms. Olivo will be entitled to:

- receive her pro-rated bonus for that year;
- receive a severance payment in the amount of $500,000; and
- become vested in any 401(k) and pension which she has participated in or receive a payment of equivalent value if vesting thereunder is not legally permissible.

If, within the third year of Ms. Olivo s employment, Travelers experiences a change in control and Ms. Olivo leaves within one year, or Mr. Lipp s employment with Travelers terminates and Ms. Olivo leaves within one year, or Ms. Olivo is terminated without cause , or Ms. Olivo leaves Travelers because she has been demoted or her responsibilities have been significantly diminished without her consent or she becomes disabled and is unable to perform her duties for six months or longer, she will be entitled to the benefits and payments described in the preceding sentence, plus an amount equal to one half of the average bonus amounts, if any, awarded to her during the previous two years pursuant to the Travelers incentive program.

In addition, if Ms. Olivo s employment terminates as described above, Ms. Olivo s unvested capital accumulation program awards will be treated as if her employment has been terminated without cause and she will be entitled to such portion of the award as the capital accumulation program provisions establish for employees who experience a termination without cause. The entitlements may result in accounting adjustments which are not reflected in the pro forma financial statements contained in this document.

Compensation Plan for Non-Employee Directors

Travelers maintains the Compensation Plan for Non-Employee Directors, pursuant to which directors generally receive their annual fees in the form of Travelers Class A common stock. Under the directors compensation plan, directors may defer receipt of shares of Travelers Class A common stock to a future distribution date or upon termination of their service. Upon a change of control (as defined in the plan), the full number of shares of Class A common stock (adjusted to be shares of St. Paul Travelers common stock)

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and cash in each director s deferred compensation account will be immediately funded and will be distributable on the later of the date six months and one day following a change of control or the distribution date(s) previously elected by the director. The plan, as amended January 22, 2004, provides that the merger will not constitute a change of control for purposes of that plan.

Equity-Based Awards

2002 Stock Incentive Plan. The Travelers 2002 Stock Incentive Plan, as amended January 23, 2003, permits Travelers to grant stock-based awards, including options to purchase shares of Travelers Class A common stock and shares of restricted stock, to officers, employees and non-employee directors of Travelers. As the consummation of the merger will constitute a change of control, the Travelers Compensation and Governance Committee may, in its discretion, accelerate, purchase, adjust or modify awards or cause the awards then outstanding to be assumed by the surviving corporation in a corporate transaction. Pursuant to this authority and the merger agreement, equity-based awards outstanding under the 2002 stock incentive plan will be converted into equity-based awards that relate to the common stock of St. Paul Travelers, as described under The Merger Agreement Travelers Stock Options and Other Stock-Based Awards .

Insurance and Indemnification

The merger agreement provides that, following the merger, St. Paul Travelers will, to the extent permitted by law, indemnify and hold harmless, and provide advancement of expenses to, all past and present directors, officers and employees of Travelers and its subsidiaries (in all of their capacities) to the same extent such individuals are indemnified or have the right to advancement of expenses as of the date of the merger agreement pursuant to Travelers certificate of incorporation and bylaws and indemnification agreements in existence as of the date of the merger agreement, or to the fullest extent permitted by law, in each case for acts or omissions occurring at or prior to the effective time of the merger. St. Paul Travelers will also continue to maintain in effect in the certificate of incorporation and bylaws of the combined company for a period of six years after the consummation of the merger, provisions regarding limitation of liability of directors, indemnification of officers, directors and employees and advancement of expenses that are, in the aggregate, no less advantageous to the intended beneficiaries than the corresponding provisions contained in Travelers current certificate of incorporation and bylaws. St. Paul Travelers will also continue to maintain for a period of six years after the consummation of the merger, the current policies of directors and officers liability insurance and fiduciary liability insurance with one or more reputable unaffiliated third-party insurers maintained by Travelers with respect to claims arising from facts or events that occurred on or before the consummation of the merger, but in no event will the combined company be required to pay in any one year an amount in excess of 300% of the annual premiums currently paid by Travelers for such insurance if the board of directors of the combined company so determines. If the annual premiums of such insurance coverage exceed such amount, the combined company will obtain a policy with at least the greatest coverage available for a cost not exceeding such amount.

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ACCOUNTING TREATMENT

Upon completion of the merger, holders of Travelers Class A common stock and Travelers Class B common stock will be entitled to receive 0.4334 of a share of St. Paul Travelers common stock for each share of Travelers Class A common stock and Travelers Class B common stock outstanding (see The Merger Structure of the Merger). For accounting purposes, this transaction will be accounted for as a reverse acquisition with Travelers as the accounting acquirer. Accordingly, St. Paul Travelers will account for the transaction as a purchase business combination, using Travelers historical financial information and accounting policies and applying fair value estimates to the acquired assets, liabilities and commitments of St. Paul as of the date of the transaction.

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MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

OF THE MERGER

The following discussion sets forth the material United States federal income tax consequences of the merger to U.S. holders (as defined below) of St. Paul common stock and U.S. holders of Travelers common stock. This discussion does not address any tax consequences arising under the laws of any state, local or foreign jurisdiction. This discussion is based upon the Code, the regulations of the U.S. Treasury Department and court and administrative rulings and decisions in effect on the date of this document. These laws may change, possibly retroactively, and any change could affect the continuing validity of this discussion.

For purposes of this discussion, we use the term U.S. holder to mean:

- a citizen or resident of the United States;
- a corporation created or organized under the laws of the United States or any of its political subdivisions;
- a trust that (i) is subject to the supervision of a court within the United States and the control of one or more United States persons or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or
- an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership holds Travelers common stock, the tax treatment of a partner will generally depend on the status of the partners and the activities of the partnership. If you are a partner of a partnership holding Travelers common stock, you should consult your tax advisors.

St. Paul Shareholders

For United States federal income tax purposes, U.S. holders of St. Paul common stock will not recognize any gain or loss as a result of the merger, and after the merger will have the same tax basis and holding period in their St. Paul Travelers common stock as they had in their St. Paul common stock before the merger. It is expected that the special dividends, if any, paid by St. Paul to its shareholders before the merger will be subject to United States federal income tax in the same manner as other dividends paid by St. Paul to its shareholders.

Travelers Shareholders

This discussion assumes that you hold your Travelers common stock as a capital asset within the meaning of Section 1221 of the Code. Further, this discussion does not address all aspects of United States federal income taxation that may be relevant to you in light of your particular circumstances or that may be applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a financial institution;

a tax-exempt organization;

an S corporation or other pass-through entity;

an insurance company;

a mutual fund;

a dealer in securities or foreign currencies;

a trader in securities and you elect the mark-to-market method of accounting for your securities;

a Travelers shareholder subject to the alternative minimum tax provisions of the Code;

a Travelers shareholder who received Travelers common stock through the exercise of qualified employee stock options or through a tax-qualified retirement plan;

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a foreign holder;

a person that has a functional currency other than the U.S. dollar;

a holder of options granted under any Travelers benefit plan; or

a Travelers shareholder who holds Travelers common stock as part of a hedge against currency risk, a straddle or a constructive sale or conversion transaction.

General. Based on representations contained in representation letters provided by Travelers and St. Paul and on certain customary factual assumptions, all of which must continue to be true and accurate in all material respects as of the effective time of the merger, it is the opinion of Davis Polk & Wardwell, counsel to St. Paul, and Simpson Thacher & Bartlett LLP, counsel to Travelers, that the material United States federal income tax consequences of the merger are as follows:

the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code;

you will not recognize gain or loss when you exchange your Travelers common stock for St. Paul Travelers common stock, except to the extent of any cash received in lieu of a fractional share of St. Paul Travelers common stock;

your tax basis in the St. Paul Travelers common stock that you receive in the merger (including any fractional share interest you are deemed to receive and exchange for cash) will equal your tax basis in the Travelers common stock you surrendered; and

your holding period for the St. Paul Travelers common stock that you receive in the merger will include your holding period for the Travelers common stock that you surrendered in the merger.

If you acquired different blocks of Travelers common stock at different times and at different prices, your basis and holding period in your St. Paul Travelers common stock may be determined with reference to each block of Travelers common stock.

It is a condition to the closing of the merger that St. Paul and Travelers will receive opinions from Davis Polk & Wardwell and Simpson Thacher & Bartlett LLP, respectively, to the effect that for United States federal income tax purposes the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on updated representation letters provided by St. Paul and Travelers to be delivered at the time of closing and on customary factual assumptions and will assume that the merger will be completed according to the terms of the merger agreement. Although the merger agreement allows us to waive this condition to closing, we currently do not anticipate doing so. If either of us does waive this condition, we will inform you of this decision and ask you to vote on the merger taking this into consideration.

St. Paul and Travelers have not sought and will not seek any ruling from the Internal Revenue Service regarding any matters relating to the merger, and as a result, there can be no assurance that the Internal Revenue Service will not disagree with or challenge any of the conclusions described herein.

Cash in lieu of Fractional Shares. You will generally recognize capital gain or loss on any cash received in lieu of a fractional share of St. Paul Travelers common stock equal to the difference between the amount of cash received and the basis allocated to such fractional share. That capital gain or loss will constitute long-term

capital gain or loss if your holding period in Travelers common stock surrendered in the merger is greater than 12 months as of the date of the merger.

Backup Withholding. You may be subject to information reporting and backup withholding on any cash payments received in lieu of a fractional share of St. Paul Travelers common stock. You will not be subject to backup withholding, however, if you:

furnish a correct taxpayer identification number and certify that you are not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to you following the completion of the merger; or

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establish that you are otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against your United States federal income tax liability, provided you furnish the required information to the Internal Revenue Service.

Reporting Requirements. If you receive St. Paul Travelers common stock as a result of the merger, you will be required to retain records pertaining to the merger and you will be required to file with your United States federal income tax return for the year in which the merger takes place a statement setting forth certain facts relating to the merger.

This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. Moreover, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Tax matters are very complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation. Accordingly, we strongly urge you to consult with a tax advisor to determine the particular federal, state, local or foreign income or other tax consequences to you of the merger.

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DESCRIPTION OF ST. PAUL S CAPITAL STOCK

The following is a summary of the material terms of the capital stock of St. Paul and is not complete. You should refer to St. Paul s articles of incorporation and bylaws, as well as to the applicable provisions of Chapter 302A of the Minnesota Statutes, for a complete description of the rights and preferences of St. Paul s capital stock. Copies of St. Paul s articles of incorporation and bylaws will be sent to holders of shares of St. Paul common stock, St. Paul Series B convertible preferred stock or Travelers common stock upon request. See Where You Can Find More Information beginning on page 141. Copies of St. Paul s articles of incorporation and bylaws, as proposed to be amended, are attached as Appendices B, C and D to this document.

Authorized Capital Stock

Under St. Paul s current articles of incorporation, the authorized capital stock of St. Paul is 485 million shares, consisting of 480 million shares of voting common stock, without designated par value, 1.45 million shares of Series B convertible preferred stock and 3.55 million undesignated shares. If the merger is completed, the St. Paul articles of incorporation will be amended to increase the authorized capital stock of St. Paul Travelers to 1.75 billion shares, consisting of 1.745 billion shares of voting common stock, 1.45 million shares of Series B convertible preferred stock and 3.55 million undesignated shares. See Required Articles Amendment .

Common Stock

Shares Outstanding. As of the close of business on the February 6, 2004 record date, St. Paul had outstanding 228,969,878 shares of common stock and had reserved approximately 50,747,821 shares of common stock for issuance under various employee or director incentive, compensation and option plans or pursuant to convertible securities of St. Paul or to other securities of St. Paul. The outstanding shares of St. Paul common stock are validly issued, fully paid and nonassessable.

Voting Rights. Each holder of St. Paul common stock is entitled to one vote for each share of St. Paul common stock held of record on the applicable record date on all matters submitted to a vote of shareholders, including the election of directors. See Comparison of Shareholders Rights for additional information regarding St. Paul voting rights.

Dividend Rights; Rights upon Liquidation. The holders of St. Paul common stock may receive cash dividends as declared by the St. Paul board of directors out of funds legally available for that purpose, subject to the rights of any holders of preferred shares. St. Paul is a holding company, and St. Paul s primary source for the payment of dividends is dividends from its subsidiaries. Various state laws and regulations limit the amount of dividends that may be paid to St. Paul by its insurance subsidiaries. Each share of St. Paul common stock is entitled to participate *pro rata* in distributions upon liquidation, subject to the rights of holders of preferred shares.

Preemptive Rights. Holders of St. Paul common stock have no preemptive or similar equity-preservation rights.

Cumulative Voting. Holders of St. Paul common stock do not have the right to cumulate votes for directors.

Transfer Agent. The transfer agent and registrar for St. Paul common stock is Wells Fargo Bank Minnesota, N.A.

Series B Convertible Preferred Stock

St. Paul Preferred Stock Outstanding. As of the close of business on the February 6, 2004 record date, 669,848 shares of St. Paul Series B convertible preferred stock were issued and outstanding, all of which were held by Fidelity Trust Company, as trustee under The St. Paul Companies, Inc. Stock Ownership Plan

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(referred to in this document as the plan and trust). As of that date, no other shares of St. Paul preferred stock were outstanding.

Voting Rights. Holders of St. Paul Series B convertible preferred stock are entitled to vote together with the holders of St. Paul common stock as a single class on all matters submitted to a vote of the holders of St. Paul common stock. Each share of St. Paul Series B convertible preferred stock is entitled to a number of votes equal to the number of shares of St. Paul common stock into which such shares could have been converted on the record date for determining the holders of the St. Paul capital stock entitled to vote on a particular matter. Each share of St. Paul Series B convertible preferred stock is currently entitled to eight votes. The approval of holders of a majority of the St. Paul Series B convertible preferred stock, voting separately as a class, is required for any amendment to any provision of the St. Paul articles of incorporation that would materially and adversely affect the rights or preferences of the Series B convertible preferred stock.

Conversion Rights. Holders of St. Paul Series B convertible preferred stock have the right at any time and from time to time to convert any and all such shares into the number of shares of St. Paul common stock determined by dividing $144.30 for each share to be converted by the then-effective conversion price per share of common stock, subject to adjustment upon certain events. The conversion price is currently $18.04.

Redemption. Shares of St. Paul Series B convertible preferred stock are redeemable at any time or from time to time at the option of St. Paul into cash or shares of St. Paul common stock, or a combination of stock and cash, at a redemption price of $144.30 per share, plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption.

Shares of St. Paul Series B convertible preferred stock are redeemable at the option of the holder thereof when and to the extent necessary (a) for the holder to provide for distributions required under the plan and trust or (b) for the holder to make payments on principal or interest on certain indebtedness incurred by the plan and trust, in each case at a redemption price, payable in cash or shares of St. Paul common stock, equal to the greater of (1) $144.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption or (2) the fair market value (as determined by an independent appraiser) of the Series B convertible preferred stock to be redeemed.

The number of shares of St. Paul common stock deliverable in lieu of cash upon redemption of St. Paul Series B convertible preferred stock is determined by dividing the amount payable upon redemption by the average market price of St. Paul common stock for the five consecutive trading days ending on the trading day next preceding the date of redemption.

Dividend Rights; Rights upon Liquidation. To the extent permitted by applicable law, holders of St. Paul Series B convertible preferred stock are entitled to cumulative quarterly cash dividends at the annual rate of $11.724 per share, in preference to the St. Paul common stock. Holders of St. Paul Series B convertible preferred stock are entitled to a liquidation preference of $100 per share. After the payment of that preference, holders of St. Paul Series B convertible preferred stock are entitled to share with holders of St. Paul common stock in the distribution of any remaining assets of St. Paul, pro-rata on an as-if-converted basis to the extent of $44.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for such distribution of assets.

Transfer Restrictions. The St. Paul Series B convertible preferred stock is issued only to the plan and trust. In the event of any transfer of record or beneficial ownership of St. Paul Series B convertible preferred stock, such transferred shares automatically convert into St. Paul common stock under the terms described under Conversion Rights above.

Blank Check Preferred Stock

Under the St. Paul articles of incorporation, the St. Paul board of directors is authorized to establish, from the undesignated shares, one or more classes and series of shares, to designate each such class and series and to fix the relative rights and preferences of each such class and series, *provided* that in no event may the St. Paul board of directors fix a preference with respect to a distribution in liquidation in excess of $100 per share plus accrued and unpaid dividends, if any. Acting under this authority, the St. Paul board of directors

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could create and issue a class or series of preferred stock with rights, privileges or restrictions, and adopt a shareholder rights plan, having the effect of discriminating against an existing or prospective holder of securities as a result of such shareholder beneficially owning or commencing a tender offer for a substantial amount of St. Paul common stock. One of the effects of authorized but unissued and unreserved shares of capital stock may be to render more difficult or discourage an attempt by a potential acquiror to obtain control of St. Paul by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of St. Paul s management. The issuance of such shares of capital stock may have the effect of delaying, deferring or preventing a change in control of St. Paul without any further action by the shareholders of St. Paul. St. Paul has no present intention to adopt a shareholder rights plan, but could do so without shareholder approval at any future time.

Stock Exchange Listing

It is a condition to the completion of the merger that the shares of St. Paul Travelers common stock issuable in the merger, and such other shares of St. Paul Travelers common stock to be reserved for issuance upon exercise of St. Paul Travelers stock options following the merger, be approved for listing on the New York Stock Exchange at or prior to the effective time of the merger, subject to official notice of issuance. The St. Paul Series B convertible preferred stock is not, and will not be, listed on any stock exchange.

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COMPARISON OF SHAREHOLDERS RIGHTS

The following table describes the rights of Travelers shareholders under Connecticut law, the Travelers certificate of incorporation and the Travelers bylaws prior to the merger and the rights of St. Paul shareholders under Minnesota law, the St. Paul articles of incorporation and the St. Paul bylaws prior to the merger. It also describes the principal differences between the rights of St. Paul and Travelers shareholders before the merger and the rights of St. Paul Travelers shareholders under Minnesota law, the amended St. Paul Travelers articles of incorporation and the amended St. Paul Travelers bylaws upon the consummation of the merger. Appendices B, C and D to this document contain forms of the amended articles of incorporation and bylaws of St. Paul that will be in effect following the effective time of the merger. Copies of the Travelers certificate of incorporation and the Travelers bylaws will be sent to holders of shares of St. Paul common stock, St. Paul Series B convertible preferred stock or Travelers common stock upon request. See Where You Can Find More Information beginning on page 141. You should refer to these documents as well as the forms of the amended St. Paul articles of incorporation and bylaws contained in this document and to the applicable provisions of Minnesota law and Connecticut law, for a complete description of the rights of St. Paul shareholders and Travelers shareholders prior to completion of the merger and following completion of the merger.

	Travelers Shareholder Rights	St. Paul Shareholder Rights
General:	*Before the merger:* The rights of Travelers shareholders are currently governed by Connecticut law and the certificate of incorporation and bylaws of Travelers. *After the merger:* The rights of Travelers shareholders who become St. Paul Travelers shareholders in the merger will be governed by Minnesota law, the St. Paul Travelers articles of incorporation and the St. Paul Travelers bylaws, each as amended as described in this document.	*Before the merger:* The rights of St. Paul shareholders are currently governed by Minnesota law and the articles of incorporation and bylaws of St. Paul. *After the merger:* The rights of St. Paul Travelers shareholders will be governed by Minnesota law, the St. Paul Travelers articles of incorporation, and the St. Paul Travelers bylaws, each as amended as described in this document.
Authorized Capital Stock:	The authorized capital stock of Travelers is 3.05 billion shares, consisting of 1.5 billion shares of Travelers Class A common stock, 1.5 billion shares of Travelers Class B common stock and 50 million shares of preferred stock (of which 3 million shares have been designated Series A junior participating preferred stock).	*Before the merger:* The authorized capital stock of St. Paul is currently 485 million shares, consisting of 480 million shares of St. Paul voting common stock, 1.45 million shares of St. Paul Series B convertible preferred stock and 3.55 million undesignated shares. *After the merger:* The authorized capital stock of

St. Paul Travelers will be 1.75 billion shares, consisting of 1.745 billion shares of St. Paul Travelers voting common stock, 1.45 million shares of St. Paul Travelers Series B convertible preferred stock and 3.55 million undesignated shares.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Number of Directors:	The Travelers bylaws provide that the exact number of Travelers directors will be determined from time to time solely by a resolution adopted by an affirmative vote of a majority of the entire Travelers board of directors. There are currently 13 members of the Travelers board of directors.	*Before the merger:* The St. Paul bylaws currently provide that the board of directors may fix the number of directors so long as there are at least 10 directors but no more than 18. *After the merger:* The St. Paul Travelers articles will provide that the number of directors will initially be 23. Thereafter, the number of directors may be determined by the St. Paul Travelers board of directors but may not exceed 23. Until January 1, 2006, two-thirds of the St. Paul Travelers board of directors must approve any change in the number of directors.
Classification of Board of Directors:	The Travelers certificate of incorporation provides that the Travelers board of directors is divided into three classes as nearly equal in number as possible, with the terms of office of one class of directors expiring each year, resulting in each class serving a staggered three-year term.	St. Paul does not have a classified board of directors. The St. Paul bylaws provide, and the St. Paul Travelers bylaws will provide upon consummation of the merger, that each director is elected to serve a term that expires at the next regular annual meeting of shareholders and when a successor is elected and has qualified (or at the time the director dies, resigns, or is removed or disqualified).
Removal of Directors:	The Travelers certificate of incorporation provides that a director may be removed from office by the shareholders only for cause and only by the affirmative vote of at least two-thirds of the votes entitled to be cast thereon.	Minnesota law allows the removal of a director from office, with or without cause, by the affirmative vote of the holders of a majority of the voting power of all shares entitled to vote at an election of directors. If a director has been appointed to fill a vacancy and the shareholders have not subsequently elected directors, then the board of directors may remove that director by a majority vote of those directors present at a meeting. These provisions of Minnesota law govern the removal of directors from the

	St. Paul board and will govern the removal of directors from the St. Paul Travelers board upon consummation of the merger.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Board Quorum:	The Travelers bylaws provide that a majority of the number of directors prescribed by the Travelers board of directors as being the size of the Travelers board of directors or, if no number has been prescribed, the number of directors in office immediately before a meeting begins shall constitute a quorum at any meeting of the Travelers board of directors. The vote of a majority of directors present at a meeting at which a quorum is present constitutes an act of the Travelers board of directors.	The St. Paul bylaws currently provide, and the St. Paul Travelers bylaws will provide upon consummation of the merger, that, at all meetings of the St. Paul board of directors, and of the St. Paul Travelers board of directors upon consummation of the merger, a majority of the directors then holding office is a quorum for the transaction of business. If a quorum is present when a meeting is convened, the directors present may continue to transact business until adjournment even though the withdrawal of a number of directors originally present leaves less than the proportion otherwise required for a quorum.
Shareholders Quorum:	The Travelers bylaws provide that a majority of the votes entitled to be cast on a matter by any voting group constitutes a quorum of that voting group for action on that matter, unless otherwise required by law or the Travelers certificate of incorporation.	The St. Paul bylaws provide, and the St. Paul Travelers bylaws will provide upon consummation of the merger, that the presence in person or by proxy at a meeting of the holders of shares representing a majority of the voting power of the shares entitled to vote at the meeting is a quorum.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Vote Required for Certain Shareholder Actions:	The Travelers bylaws provide that, unless otherwise required by Connecticut law or the Travelers certificate of incorporation or bylaws, actions to be voted upon by the shareholders (other than the election of directors) shall be approved if the votes cast in favor of such action by shares entitled to vote on such action exceed the votes cast in opposition to such action at a meeting at which a quorum is present. The Travelers bylaws further provide that, unless otherwise required by the Travelers certificate of incorporation, directors shall be elected by a plurality of votes cast by shares entitled to vote for directors at a meeting at which a quorum is present. Connecticut law provides that separate voting by voting groups is required on a plan of merger, by each class or series of shares that (i) are to be converted, pursuant to the provisions of the plan of merger, into shares or other securities, interests, obligations, rights to acquire shares or other securities, cash or other property or any combination thereof or (ii) would have the right to vote as a separate group on a provision in the plan that, if contained in a proposed amendment to the certificate of incorporation, would require action by separate voting groups.	Minnesota law generally requires that shareholder action be taken by the affirmative vote of a majority of the voting power of the shares present and entitled to vote on a matter at a meeting at which a quorum is present, unless the company s articles of incorporation require a higher vote. Approval of a merger, share exchange or a sale of all or substantially all of a corporation s assets requires the affirmative vote of a majority of the voting power represented by the outstanding stock entitled to vote on the matter, unless the company s articles of incorporation require a higher vote. *Before the merger:* The St. Paul articles of incorporation currently require (i) two-thirds of the voting power of all voting shares to approve a plan of merger or exchange, sale, lease, transfer or other disposition of all or substantially all of St. Paul s property and assets, dissolution of St. Paul or amendment to the two- thirds voting requirement itself and (ii) a majority of the voting power of all voting shares to approve other amendments to the articles. *After the merger:* If the amendment described under Additional Articles Amendment is approved, then the two-thirds voting requirements discussed above will be eliminated from the St. Paul Travelers articles of incorporation, and St. Paul Travelers will be governed by the general shareholder-approval requirements under Minnesota law, discussed above.

Shareholder Action by Written Consent:	The Travelers certificate of incorporation provides that any action which, under Connecticut law, may be taken at a meeting of shareholders may be taken without a meeting by unanimous written consent.	Minnesota law permits shareholder approval to be obtained by written consent without a meeting only by unanimous consent.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Amendment of Charter	Under Connecticut law, unless the Travelers certificate of incorporation or the Travelers board of directors requires a greater vote or a vote by voting groups, the Travelers certificate of incorporation may be amended (i) by the affirmative vote of a majority of the votes entitled to be cast thereon by any voting group with respect to which the amendment would create appraisal rights or (ii) if the votes cast in favor of such amendment by the shares entitled to vote on such amendment exceed the votes cast in opposition to such amendment by every other voting group entitled to vote on the amendment. The Travelers certificate of incorporation provides that amendments to certain provisions of the certificate of incorporation adversely affecting the relative rights, preferences, qualifications, limitations or restrictions of the Travelers Class A common stock as compared to those of the Travelers Class B common stock must be approved by the Travelers Class A shareholders voting as a single class in accordance with the requirements of Connecticut law in effect at the time of the vote. The Travelers certificate of incorporation also provides that amendments to provisions of the certificate of incorporation regarding the election and removal of directors, action by written consent, calling of special meetings and voting requirements to amend the bylaws require the affirmative vote of 80 percent of the votes entitled to be cast thereon. The Travelers certificate of	Under Minnesota law, a resolution to amend the articles of incorporation may be brought by a majority of the board of directors or by shareholders holding 3% or more of the voting power of all voting shares. Unless the articles of incorporation provide for a greater percentage, an amendment to the articles of incorporation must be approved by the affirmative vote of a majority of the voting power of the shares present and entitled to vote on the matter at a meeting of shareholders at which a quorum is present. Under Minnesota law, holders of each class or series of stock are entitled to class-voting rights or series-voting rights in connection with certain amendments to the articles of incorporation and certain transactions that would have the same effect as such amendments. In addition, approval of the holders of a majority of the St. Paul Series B convertible preferred stock, and the St. Paul Travelers Series B convertible preferred stock upon consummation of the merger, voting separately as a class, is required to amend any provisions of the articles of incorporation that would materially and adversely affect the rights or preferences of that stock. *Before the merger:* The St. Paul articles of incorporation currently require (i) two- thirds of the voting power of all voting shares to approve an amendment to the two-thirds voting requirement for mergers and similar events discussed above under Vote Required for Certain Shareholder Actions and (ii) a

incorporation provides that other amendments to the certificate of incorporation may be made in accordance with Connecticut law. Travelers has opted out of the supermajority requirement for corporations formed prior to January 1, 1997 for amendment of the certificate of incorporation.	majority of the voting power of all voting shares to approve other amendments to the articles of incorporation. *After the merger:* If the amendment described under Additional Articles Amendment is approved, then the two- thirds voting requirements discussed above under Vote Required for Certain Shareholder Actions will be eliminated, and St. Paul Travelers will be governed by the general shareholder-approval requirements under Minnesota law, discussed above. In addition, the St. Paul Travelers articles will provide that, until January 1, 2006, board approval for submission to the shareholders of an amendment to certain corporate-governance provisions of the articles of incorporation requires the approval of two-thirds of theSt. Paul Travelers board of directors.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Amendment of Bylaws:	The Travelers bylaws may be adopted, amended, altered or repealed only with the affirmative vote of 66 2/3 percent of the entire Travelers board of directors. The bylaws may be amended, altered or repealed, or a new bylaw provision adopted, by the shareholders only by the affirmative vote of 80 percent of the votes of the shareholders entitled to be cast thereon.	Minnesota law provides that, unless reserved to shareholders by the articles of incorporation, the power to adopt, amend, or repeal a corporation s bylaws generally is vested in the board of directors (the St. Paul articles of incorporation currently do not, and after the merger will not, provide otherwise). The power of the board of directors is subject to the right of shareholders holding 3% or more of the voting power of the outstanding shares to propose a resolution to adopt, amend, or repeal the bylaws, which must be approved by the affirmative vote of the holders of a majority of the shares present and entitled to vote at a meeting at which a quorum is present. Only the shareholders may adopt, amend, or repeal bylaws fixing a quorum for meetings of shareholders, prescribing procedures for removing directors or filling vacancies in the board of directors, or fixing the number of directors or their classifications, qualifications or terms of office. *After the merger:* The St. Paul Travelers articles of incorporation and bylaws will provide that, until January 1, 2006, the St. Paul Travelers board of directors approval of, or St. Paul Travelers board of directors approval for submission to the shareholders of, an amendment to certain corporate-governance provisions of the bylaws requires the approval of two-thirds of the St. Paul Travelers board of directors. Otherwise, and after January 1, 2006, the bylaws may be adopted, amended or

repealed in the same manner as before the merger.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Voting Stock:	The outstanding voting securities of Travelers, which, with certain exceptions, all vote together as one class, are the shares of: (i) Travelers Class A common stock, with one vote per share and (ii) Travelers Class B common stock, with seven votes per share.	The outstanding voting securities of St. Paul currently consist of, and after consummation of the merger the outstanding voting securities of St. Paul Travelers will consist of, (i) common stock, with one vote per share and (ii) Series B convertible preferred stock, with voting rights as described in Description of St. Paul s Capital Stock Series B Convertible Preferred Stock Voting Rights .
Dividends and Repurchase of Shares:	Under Connecticut law, a corporation may generally pay dividends or redeem or repurchase its shares if after paying the dividend or repurchasing the shares, (i) the corporation would be able to pay its debts as they become due in the ordinary course of business and (ii) the corporation s total assets would be greater than its total liabilities. Under the terms of the Travelers certificate of incorporation, no dividends may be declared or paid on the Travelers Class A common stock unless the same dividend is simultaneously declared or paid on the Travelers Class B common stock, and no dividends may be declared or paid on the Travelers Class B common stock unless the same dividend is simultaneously declared or paid on the Travelers Class A common stock; *provided* that dividends payable in shares of Travelers common stock or in rights, options, warrants or other securities convertible into or exchangeable for shares of Travelers common stock may be made to holders of Travelers Class A common stock in shares of, or securities	Under Minnesota law, a corporation may generally pay dividends or acquire its own shares if the corporation will be able to pay its debts in the ordinary course of business after paying the dividend or repurchasing the shares. These provisions of Minnesota law currently govern St. Paul s ability to declare and pay dividends and to repurchase its shares, and will be equally applicable to St. Paul Travelers after the merger. The ability of St. Paul, and of St. Paul Travelers upon consummation of the merger, to declare or pay dividends on the common stock is also subject to a restriction under Minnesota law and in the articles of incorporation which provides that all dividends payable on Series B convertible preferred stock must have been paid to the holders thereof. In addition, Minnesota law prohibits a corporation from paying a dividend or repurchasing shares if the payment or repurchase would reduce the corporation s remaining net assets below the aggregate liquidation preference of holders of shares having preferential rights upon liquidation, unless

	convertible into or exchangeable for shares of, Travelers Class A common stock and may be made to holders of Travelers Class B common stock in shares of, or securities convertible into or exchangeable for shares of, Travelers Class B common stock.	those holders receive a payment equal to their preference or waive that right.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Limitation of Liability and Indemnification of Directors and Officers:	The Travelers certificate of incorporation provides that the personal liability of directors to the corporation or its shareholders for monetary damages for breaches of duty as a director shall be limited to the amount of compensation received by the director for serving the corporation during the year of the violation unless such director s breach: involved a knowing and culpable violation of law by the director, enabled the director or an associate to receive an improper personal economic gain, showed a lack of good faith and a conscious disregard for the director s duty to the corporation, constituted a sustained and unexcused pattern of inattention that amounted to an abdication of the director s duty to the corporation, or created liability for an unlawful dividend, share repurchase or other distribution. The Travelers certificate of incorporation provides that the personal liability of a person who is or was a Travelers director to Travelers or its shareholders for breach of duty as a director shall be further limited to the fullest extent allowed by Connecticut law. The Travelers certificate of incorporation also provides that Travelers shall indemnify its directors for liability to any person for any action taken, or any failure to take action as a director, subject to the same five exclusions that are set forth in Travelers certificate of	The St. Paul articles of incorporation currently provide, and the St. Paul Travelers articles of incorporation upon consummation of the merger will provide, that, to the fullest extent permitted by Minnesota law, directors shall have no personal liability to either the corporation or its shareholders for monetary damages for breach of fiduciary duty. Minnesota law prohibits this limitation of liability of directors in respect of: a breach of the director s duty of loyalty to the corporation or its shareholders, acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, payment of unlawful dividends or unlawful stock purchases or redemptions, any transaction in which the director derived an improper personal benefit, certain violations of the Minnesota securities laws, and any act or omission occurring prior to the date when the provision in the articles of incorporation eliminating or limiting liability becomes effective. Minnesota law generally requires that a corporation must indemnify an officer or director who is threatened to be made a party to a proceeding by reason of his or her official capacity against judgments, penalties, fines and expenses in connection with the proceeding, if the following criteria are met:

incorporation provision limiting director liability. The Travelers certificate of incorporation contains provisions indemnifying directors, officers and employees of Travelers, and employees who were serving another corporation or entity at the request of Travelers, to the fullest extent permitted by law, against liabilities incurred by such individuals in connection with actions brought against such individuals because of their service to Travelers.	the person has not been indemnified by another organization for the same judgments, penalties, fines and expenses; the person has acted in good faith; no improper personal benefit was obtained by the person; in the case of a criminal proceeding, the person had no reasonable cause to believe that the conduct was unlawful; and the person has acted in a manner he or she reasonably believed was in the best interest of the corporation. In addition, Minnesota law requires the advancement of expenses in certain instances.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Shareholder Rights Plan:	Travelers has adopted a shareholder rights plan, as described below under Comparison of Shareholders Rights Travelers Shareholder Rights Plan .	St. Paul does not have a shareholder rights plan. Although the St. Paul board of directors has no present intention to adopt a shareholder rights plan, the St. Paul Travelers board of directors could do so without shareholder approval at any future time.
Appraisal Rights:	Under Connecticut law, the rights of shareholders to appraisal rights and to obtain the fair value of their shares may be available in connection with a statutory merger or consolidation in certain specific situations. Appraisal rights are not available to a corporation s shareholders under Connecticut law when the corporation is to be the surviving corporation and no vote of its shareholders is required to approve the merger. In addition, no appraisal rights are available under Connecticut law to holders of shares of any class of stock which is either (i) listed on the New York Stock Exchange or the American Stock Exchange or designated as a national market system security on an interdealer quotation system by the NASD or (ii) held of record by more than 2,000 shareholders and the outstanding shares of such class or series, other than those held by subsidiaries, senior executives directors and certain beneficial shareholders of the corporation, has a market value of at least 20 million dollars. Connecticut law also provides that when shareholders are required by the terms of a merger to accept shares of any class or series of any corporation, then appraisal	Under Minnesota law, appraisal rights are available in connection with: an amendment to the articles of incorporation that materially and adversely affects the rights or preferences of shares held by the dissenting shareholder in the context of preferential, redemption, preemptive or voting rights; a plan of merger or exchange; or a disposition of all or substantially all of a corporation s property and assets other than in the usual and regular course of business (other than a disposition for cash on terms requiring pro rata distribution of the net proceeds to shareholders within one year). Appraisal rights are not available under Minnesota law to a shareholder of a (i) surviving corporation with respect to a merger if the shareholder s shares are not entitled to be voted on the merger and the shareholder s shares are not canceled or exchanged in the merger, or (ii) corporation that will acquire shares in a plan of exchange or a shareholder whose shares will be acquired in a plan of exchange if the shareholder was not entitled to vote on the plan of

rights will be available to those shareholders unless the shares being received satisfy the standards set forth in the immediately preceding paragraph at the time that the merger becomes effective.	exchange and the shareholder s shares are not exchanged.

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Anti-Takeover Statutes:	The Connecticut Business Corporation Act contains control-share acquisition provisions that prohibit a corporation from engaging in a business combination with an interested shareholder for a period of five years after such interested shareholder s stock acquisition date, unless such business combination or stock acquisition is approved by the corporation s board of directors and by a majority of non-employee directors prior to such interested shareholder s stock acquisition date. The Connecticut Business Corporation Act also contains fair price provisions that require business combinations to be approved by 80% of the voting power of the outstanding voting stock of a corporation and two-thirds of the voting power of the outstanding voting stock other than the voting stock held by the interested shareholder who is a party to the business combination unless the business combination has been approved by the corporation s board of directors prior to the time that such interested shareholder first became an interested shareholder. An interested shareholder is defined as: (i) a person who is the beneficial owner, directly or indirectly, of more than 10 percent of the voting power of a corporation s outstanding voting stock, or (ii) an affiliate or associate of the corporation and at any time within a specified period immediately prior to the date on which the determination of interested shareholder status is being made, was a beneficial owner, directly or indirectly, of more than 10 percent of the voting power of the corporation s outstanding voting stock. A	St. Paul is, and St. Paul Travelers will be upon consummation of the merger, subject to the following provisions of Minnesota law: a control-share acquisition statute, which provides that a person acquiring 20% or more of the voting power of a corporation may not vote those shares in excess of the 20% level unless and until approved by the holders of (i) a majority of the voting power of the corporation s shares, including those held by the acquiring person, and (ii) a majority of the voting power of the corporation s shares held by disinterested shareholders; a provision that prohibits business-combination transactions with any shareholder for four years after such shareholder acquires 10% of the voting power of the corporation unless, prior to the share acquisition, the transaction or share acquisition receives the majority approval of a committee consisting of one or more disinterested directors; a provision that prohibits corporations from purchasing any voting shares owned for less than two years from a greater-than-5% shareholder for more than the market value of those shares, unless the transaction has been approved by a majority of the voting power of all shares entitled to vote or unless the corporation makes an offer of at least equal value per share to all holders of shares of the class or series of stock held by the greater-than-5% shareholder and to all holders of any class or series into which those shares may be

Business combination is broadly defined to include, among other things, a merger or consolidation of a corporation or its subsidiary with or into an interested shareholder or an affiliate or associate thereof.

The Travelers board of directors has taken the necessary action to make the foregoing provisions of the Connecticut Business Corporation Act inapplicable to the merger agreement and the transactions contemplated thereby.

converted; and

a fair price provision, whic provides that no person may acquire shares of a Minnesota corporation within two years following such person s last purchase of shares in a takeover offer, unless the shareholders are given a reasonable opportunity to dispose of their shares to such person on terms substantially equivalent to those provided in the takeover offer. However, this provision does not apply if the acquisition is approved by

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
		a committee consisting of disinterested directors prior to such person having acquired shares under the takeover offer.
Insurance Holding Company Laws	The insurance holding company laws of each of the United States jurisdictions in which insurance subsidiaries of Travelers are incorporated or commercially domiciled govern any acquisition of control of those insurance subsidiaries or of Travelers. In general, these laws provide that no person or entity may directly or indirectly acquire control of an insurance company unless that person or entity has received the prior approval of the insurance regulatory authorities. An acquisition of control would be presumed in the case of any person or entity who purchases 10% or more of the outstanding common stock of Travelers, or 5% or more, in the case of the Florida insurance holding company laws, unless the applicable insurance regulatory authorities determine otherwise. Because Travelers has an insurance subsidiary incorporated in Florida, the 5% threshold applies to an acquisition of shares of Travelers.	The insurance holding company laws of each of the United States jurisdictions in which the insurance subsidiaries of St. Paul are incorporated or commercially domiciled govern any acquisition of control of those insurance subsidiaries or of St. Paul. In general, these laws provide that no person or entity may directly or indirectly acquire control of an insurance company unless that person or entity has received the prior approval of the insurance regulatory authorities. An acquisition of control would be presumed in the case of any person or entity who purchases 10% or more of our outstanding common stock, or 5% or more, in the case of the Florida insurance holding company laws, unless the applicable insurance regulatory authorities determine otherwise. Because Travelers has an insurance subsidiary incorporated in Florida, the 5% threshold will apply to an acquisition of shares of St. Paul Travelers after the merger.
Annual Meeting Proposals:	Any shareholder who is a shareholder of record on the date of the giving of notice required by the Travelers bylaws, who is entitled to vote at an annual meeting of shareholders and who complies with the notice requirements set forth in the Travelers bylaws, may bring business before the shareholder meeting. For annual meetings,	The St. Paul bylaws provide, and the St. Paul Travelers bylaws will provide upon consummation of the merger, that at any annual meeting, the only business which may be conducted is that which has been brought before the meeting by the board of directors or by any shareholder who provided notice to the corporation at least 60 days before the date of the annual meeting.

generally, a shareholder must provide notice not less than 90 days and not more than 120 days prior to the anniversary date of the immediately preceding annual shareholder meeting. The procedure for bringing matters before Travelers 2004 annual meeting is described in greater detail under Travelers 2004 Annual Meeting Shareholder Proposals .	However, if less than 70 days notice or prior public disclosure of the date of the meeting is given or made to shareholders, then notice must be received not later than the close of business on the tenth day following the day on which notice of the date of the annual meeting was mailed or public disclosure was made. The procedure for bringing matters before St. Paul s 2004 annual meeting is described in greater detail under St. Paul 2004 Annual Meeting Shareholder Proposals .

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	Travelers Shareholder Rights	St. Paul Shareholder Rights
Special Meetings:	Under Connecticut law and the Travelers bylaws, a special meeting of shareholders may be called at any time by the chairman of the board of directors, the vice chairman of the board of directors, the chief executive officer, the chairman of the executive committee, the president or the secretary and shall be called at the request of the holders of 10% or more of all of the votes entitled to be cast on any issue proposed to be considered at the proposed special meeting. For special meetings, the advance- notification provisions of the Travelers bylaws state that a shareholder must provide notice no later than 90 days prior to the date of the meeting. Business conducted at a special meeting of shareholders is limited to the business specified in the meeting notice.	Minnesota law provides that a special meeting of shareholders may be called at any time by the chief executive officer, the chief financial officer, by two or more directors, by a person authorized in the articles of incorporation or bylaws of the corporation, or by shareholders holding 10% or more of the voting power of all shares entitled to vote (except that a special meeting called by shareholders for the purpose of considering any action to directly or indirectly facilitate or effect a business combination may only be called by 25% or more of the voting power of all shares entitled to vote). Business conducted at a special meeting of shareholders is limited to the business specified in the meeting notice.

Travelers Shareholder Rights Plan

Travelers has adopted a shareholder rights agreement, dated as of March 21, 2002, under which each outstanding share of Travelers Class A common stock and Travelers Class B common stock is coupled with a preferred stock purchase right (referred to as a shareholder right). Each shareholder right entitles the holder to purchase one one-thousandth of a share of Travelers Series A junior participating preferred stock.

If any person becomes the beneficial owner of shares of Travelers common stock having the right to cast 15% or more of the votes that may be cast by all outstanding shares of Travelers common stock (such person is referred to as an acquiring person), each holder of a shareholder right will be entitled to exercise the right and receive, instead of Travelers Series A junior participating preferred stock, Travelers common stock (or, in certain circumstances, cash, assets or other securities of Travelers) having a market value equal to two times the exercise price of the shareholder right. All shareholder rights that are beneficially owned by an acquiring person or its transferee will become null and void.

If at any time after a public announcement or other communication that a person has become an acquiring person (1) Travelers is acquired in a merger or other business combination, (2) Travelers acquires a person in a merger or other business combination where any or all of Travelers common stock is exchanged for

the stock of any other person or cash or any property, or (3) 50% or more of Travelers assets, cash flow or earning power is sold or transferred, each holder of a shareholder right (except rights which have been voided as set forth above) will have the right to receive, upon exercise, common stock of the acquiring company having a market value equal to two times the exercise price of the shareholder right. The purchase price payable, the number of one one-thousandths of a share of Travelers Series A junior participating preferred stock or other securities or property issuable upon exercise of shareholder rights and the number of shareholder rights outstanding, are subject to adjustment from time to time to prevent dilution.

At any time prior to the earlier of (1) a person becoming an acquiring person or (2) the termination of the shareholder rights agreement, Travelers may redeem all shareholder rights at a price of $0.01 per right. At any time after a person has become an acquiring person, Travelers may exchange the shareholder rights at an exchange ratio of one share of Travelers common stock, or one one-thousandth of a share of Travelers Series A junior participating preferred stock (or of a share of a class or series of Travelers preferred stock having equivalent rights, preferences and privileges), per right.

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Prior to execution of the merger agreement, Travelers amended its shareholder rights agreement to permit execution and amendment of the merger agreement and the consummation of the transactions contemplated by the merger agreement, including the merger, without triggering the separation or exercise of the shareholder rights. In addition, pursuant to the amendment, the rights will cease to be exercisable upon consummation of the merger. The Travelers board of directors adopted that amendment, and the amendment became effective, on November 16, 2003.

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COMPARATIVE MARKET PRICES AND DIVIDENDS

Travelers Class A common stock, Travelers Class B common stock and St. Paul common stock are each listed on the New York Stock Exchange. The following table sets forth the high and low daily closing prices of shares of Travelers Class A common stock, Travelers Class B common stock and St. Paul common stock as reported on the New York Stock Exchange, and the quarterly cash dividends declared per share for the periods indicated.

	Travelers Class A Common Stock[1][3]			Travelers Class B Common Stock[2][3]			St. Paul Common Stock		
	High	Low	Dividend	High	Low	Dividend	High	Low	Dividend
2001									
First Quarter	NA	NA	NA	NA	NA	NA	$51.38	$40.25	$0.28
Second Quarter	NA	NA	NA	NA	NA	NA	52.12	41.53	0.28
Third Quarter	NA	NA	NA	NA	NA	NA	50.79	35.50	0.28
Fourth Quarter	NA	NA	NA	NA	NA	NA	51.50	40.30	0.28
2002									
First Quarter	$20.00	$19.56	NA	NA	NA	NA	$49.41	$39.50	$0.29
Second Quarter	20.97	16.04	NA	NA	NA	NA	50.12	38.34	0.29
Third Quarter	17.25	12.38	NA	$17.59	$12.50	NA	37.88	24.20	0.29
Fourth Quarter	15.95	12.78	NA	16.00	13.09	NA	37.24	27.05	0.29
2003									
First Quarter	$16.56	$13.26	$0.06	$16.50	$13.40	$0.06	$36.66	$29.33	$0.29
Second Quarter	17.21	14.19	0.06	17.13	14.33	0.06	38.02	32.32	0.29
Third Quarter	16.75	15.25	0.08	16.73	15.33	0.08	38.49	34.30	0.29
Fourth Quarter	16.80	14.90	0.08	16.97	14.82	0.08	39.65	35.15	0.29
2004									
First Quarter (through February 12, 2004)	$18.47	$16.70	$0.08	$18.45	$16.69	$0.08	$43.35	$39.40	$0.29

(1) Following Travelers initial public offering, Travelers Class A common stock began trading on March 22, 2002.

(2) Following the spin-off of Travelers by Citigroup Inc., Travelers Class B common stock began trading on August 21, 2002.

(3) During the first quarter of 2002, Travelers paid dividends of $5.095 billion in the form of a note payable and $158 million in cash, respectively, to Citigroup Inc., its then sole shareholder. During 2001, Travelers paid dividends of $526 million to Citigroup Inc., its then sole shareholder.

The market prices of Travelers Class A common stock, Travelers Class B common stock and St. Paul common stock will fluctuate between the date of this joint proxy statement/ prospectus and the completion of the merger. No assurance can be given concerning the market prices of Travelers Class A common stock,

Travelers Class B common stock or St. Paul common stock before the completion of the merger or the market price of St. Paul Travelers common stock after the completion of the merger. The exchange ratio is fixed in the merger agreement and neither St. Paul nor Travelers has the right to terminate the merger agreement based on changes in either party s stock price. One result of this is that the market value of the St. Paul Travelers common stock that Travelers stockholders will receive in the merger may vary significantly from the prices shown in the table above. Travelers and St. Paul shareholders are advised to obtain current market prices for Travelers Class A common stock, Travelers Class B common stock and St. Paul common stock. The timing and amount of future dividends of the combined company will depend upon earnings, cash requirements, the financial condition of the combined company and its subsidiaries and other factors deemed relevant by the board of directors of the combined company.

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UNAUDITED PRO FORMA CONDENSED COMBINED

FINANCIAL STATEMENTS

The preliminary Unaudited Pro Forma Condensed Combined Balance Sheet at September 30, 2003 combines the historical consolidated balance sheets of St. Paul and Travelers, giving effect to the merger as if it had been consummated on September 30, 2003. The preliminary Unaudited Pro Forma Condensed Combined Income Statements for the nine months ended September 30, 2003 and for the year ended December 31, 2002 combine the historical consolidated statements of income of St. Paul and Travelers giving effect to the merger as if it had occurred on January 1, 2002. We have adjusted the historical consolidated financial statements to give effect to pro forma events that are (1) directly attributable to the merger, (2) factually supportable, and (3) with respect to the statements of income, expected to have a continuing impact on the combined results. You should read this information in conjunction with the:

accompanying notes to the preliminary unaudited pro forma condensed combined financial statements;

St. Paul s separate historical unaudited financial statements as of and for the nine months ended September 30, 2003 included in St. Paul s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003;

St. Paul s separate historical financial statements as of and for the year ended December 31, 2002 included in St. Paul s Annual Report on Form 10-K for the year ended December 31, 2002;

Travelers separate historical unaudited financial statements as of and for the nine months ended September 30, 2003 included in Travelers Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2003; and

Travelers separate historical financial statements as of and for the year ended December 31, 2002 included in Travelers Annual Report on Form 10-K for the year ended December 31, 2002.

The preliminary unaudited pro forma condensed combined financial statements have been prepared for informational purposes only. The preliminary unaudited pro forma condensed combined financial statements are not necessarily indicative of what the financial position or results of operations actually would have been had the merger been completed at the dates indicated. In addition, the preliminary unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of the combined company. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset dispositions.

The preliminary unaudited pro forma condensed combined financial statements have been prepared using the purchase method of accounting with Travelers treated as the accounting acquirer. Accordingly, Travelers cost to acquire St. Paul has been allocated to the acquired assets, liabilities and commitments based upon their estimated fair values at the date indicated. The allocation of the purchase price is preliminary and is dependent upon certain valuations and other studies that have not progressed to a stage where there is sufficient information to make a definitive allocation. Accordingly, the final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

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UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

	At September 30, 2003				
	Historical Travelers	Historical St. Paul	Pro Forma Adjustments		Pro Forma St. Paul Travelers
			(in millions)		
Assets					
Fixed maturities, available for sale at fair value	$31,860	$16,689	$		$ 48,549
Equity securities, at fair value	763	334			1,097
Securities on loan		982			982
Mortgage loans	222	81			303
Investment real estate		787	335	(a)	1,122
Short-term securities	2,455	2,409			4,864
Trading securities, at fair value	49				49
Other investments	2,444	1,391			3,835
Total investments	37,793	22,673	335		60,801
Cash	209	253			462
Investment income accrued	369	259			628
Premium balances receivable	4,039	2,608			6,647
Reinsurance recoverables	10,906	9,775	(415)	(b)	20,266
Deferred policy acquisition costs	957	691	(76)	(c)	1,572
Deferred federal income taxes	757	1,159	(338)	(d)	1,578
Contractholder receivables	2,760	1,626			4,386
Goodwill	2,412	906	(906)	(e)	5,172
			2,760	(e)	
Other intangibles	437	140	(140)	(f)	1,687
			1,250	(f)	
Other assets	2,896	3,410	(382)	(g)	5,924
Total assets	$63,535	$43,500	$ 2,088		$109,123
Liabilities					
Claims and claim adjustment expense reserves	$33,854	$22,389	$ (720)	(h)	$ 55,523
Unearned premium reserves	7,050	4,272			11,322
Contractholder payables	2,760	1,626			4,386
Commercial paper		140			140
Long-term debt	1,755	2,093	176	(i)	4,024
Convertible junior subordinated notes	868				868

payable					
Convertible notes payable	50				50
Equity unit related debt		443	27	(i)	470
St. Paul-obligated mandatorily redeemable preferred securities of trusts holding solely subordinated debentures of St. Paul		897	58	(i)	955
Other liabilities	5,726	5,372	81	(j)	11,179
Total liabilities	52,063	37,232	(378)		88,917
Shareholders equity					
Preferred stock:					
Convertible preferred stock		99	103	(k)	202
Guaranteed obligation Preferred Stock Ownership Plan		(23)	(2)	(k)	(25)
Common stock:					
No par value		2,646	14,544	(n,o,p)	17,190
Class A	5		(5)	(l)	
Class B	5		(5)	(l)	
Additional paid-in capital	8,691		(8,691)	(l)	
Retained earnings	1,883	2,882	(2,882)	(m)	1,883
Accumulated other changes in equity from nonowner sources	992	664	(664)	(m)	992
Treasury stock, at cost	(68)		68	(l)	
Unearned compensation	(36)				(36)
Total shareholders equity	11,472	6,268	2,466		20,206
Total liabilities and shareholders equity	$63,535	$43,500	$ 2,088		$109,123

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

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UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

	For the Nine Months Ended September 30, 2003				
	Historical Travelers	Historical St. Paul	Pro Forma Adjustments		Pro Forma St. Paul Travelers
	(in millions, except per share data)				
Revenues					
Premiums	$ 9,228	$ 5,237	$		$ 14,465
Net investment income	1,370	835	(94)	(q)	2,111
Fee income	404	49			453
Asset management		329			329
Net realized investment gains (losses)	(1)	33			32
Other revenues	96	48			144
Total revenues	11,097	6,531	(94)		17,534
Claims and expenses					
Claims and claim adjustment expenses	6,735	3,563	90	(s)	10,388
Amortization of deferred policy acquisition costs	1,458	1,173	(275)	(t)	2,356
Interest expense	130	138	(14)	(u)	254
General and administrative expenses	1,205	731	380	(v)	2,316
Total claims and expenses	9,528	5,605	181		15,314
Income from continuing operations before income taxes and minority interest	1,569	926	(275)		2,220
Income taxes	377	271	(96)	(w)	552
Minority interest, net of tax	(15)	22			7
Income from continuing operations	$ 1,207	$ 633	$ (179)		$ 1,661
Per common share information					
Earnings per common share-continuing operations:					
Basic	$ 1.20	$ 2.72			$ 2.49
Diluted	$ 1.20	$ 2.61			$ 2.45
Weighted average common shares					

outstanding and common stock equivalents:			
Basic	1,002.3	227.5	661.9
Diluted	1,007.6	239.1	675.8

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

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UNAUDITED PRO FORMA CONDENSED COMBINED INCOME STATEMENT

	For the Year Ended December 31, 2002				
	Historical Travelers	Historical St. Paul	Pro Forma Adjustments		Pro Forma St. Paul Travelers
	(in millions, except per share data)				
Revenues					
Premiums	$11,155	$7,502	$		$18,657
Net investment income	1,881	1,169	(287)	(q)	2,763
Fee income	455	56			511
Asset management		397			397
Net realized investment gains (losses)	147	(165)	94	(r)	76
Recoveries from former affiliate	520				520
Other revenues	112	71			183
Total revenues	14,270	9,030	(193)		23,107
Claims and expenses					
Claims and claim adjustment expenses	11,139	6,019	115	(s)	17,273
Amortization of deferred policy acquisition costs	1,810	1,675	(342)	(t)	3,143
Interest expense	157	182	(19)	(u)	320
General and administrative expenses	1,424	933	500	(v)	2,857
Total claims and expenses	14,530	8,809	254		23,593
Income (loss) from continuing operations before income taxes and minority interest	(260)	221	(447)		(486)
Income tax benefit	(477)	(55)	(156)	(w)	(688)
Minority interest, net of tax	1	27			28
Income from continuing operations	$ 216	$ 249	$(291)		$ 174
Per common share information					
Earnings per common share-continuing operations:					
Basic	$ 0.23	$ 1.09			$ 0.25
Diluted	$ 0.23	$ 1.06			$ 0.25

Weighted average common shares outstanding and common stock equivalents:			
Basic	949.5	215.9	627.4
Diluted	951.2	226.6	629.9

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Financial Statements.

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NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1 Basis of Pro Forma Presentation

On November 16, 2003, Travelers Property Casualty Corp. (Travelers) entered into an agreement and plan of merger with The St. Paul Companies, Inc. (St. Paul). The transaction will be treated as a purchase business combination by Travelers of St. Paul under accounting principles generally accepted in the United States of America. In this merger, the acquired entity (St. Paul) will issue the equity interests and this business combination meets the criteria of a reverse acquisition. Each share of Travelers Class A common stock and Travelers Class B common stock will be exchanged for 0.4334 of a share (the exchange ratio) of St. Paul common stock.

The preliminary Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2003 reflects the merger as if it occurred on September 30, 2003. The preliminary Unaudited Pro Forma Condensed Combined Income Statements for the nine months ended September 30, 2003 and for the year ended December 31, 2002 reflect the merger as if it occurred on January 1, 2002. The pro forma adjustments herein reflect an exchange ratio of 0.4334 of a share of St. Paul common stock for each of the 505,030,560 shares of Travelers Class A common stock outstanding and of the 499,859,233 shares of Travelers Class B common stock outstanding at September 30, 2003.

The stock price used in determining the preliminary estimated purchase price is based on an average of the closing prices of St. Paul common stock for the two trading days before through the two trading days after St. Paul and Travelers announced their merger agreement on November 17, 2003. The preliminary estimated purchase price also includes the fair value of the St. Paul stock options, the fair value adjustment to St. Paul s preferred stock and other costs of the transaction, and is calculated as follows:

Number of shares of St. Paul common stock outstanding as of September 30, 2003 (in thousands)	228,102
St. Paul s average stock price for the two trading days before through the two trading days after November 17, 2003, the day St. Paul and Travelers announced their merger agreement	$ 36.86
Estimated fair value of St. Paul s common stock outstanding as of September 30, 2003 (in millions)	$ 8,408
Estimated fair value of approximately 21.0 million St. Paul stock options outstanding as of September 30, 2003 (in millions)	225
Estimated excess of fair value over book value of St. Paul s convertible preferred stock outstanding, net of the excess of the fair value over the book value of the related guaranteed obligation, as of September 30, 2003 (in millions)	101

Estimated transaction costs of Travelers (in millions)	
Estimated purchase price (in millions)	$ 8,749

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The preliminary estimated purchase price has been allocated as follows based upon purchase accounting adjustments as of September 30, 2003 (in millions):

Net tangible assets(1)	$5,222
Investment real estate(2)	335
Reinsurance recoverables(2)(3)	(415)
Deferred policy acquisition costs(3)	(76)
Deferred federal income taxes(5)	(338)
Goodwill	2,760
Intangible assets(4)	1,250
Other assets(2)	(382)
Claims and claim adjustment expense reserves(2)(3)	720
Long-term debt(2)	(176)
Equity unit related debt(2)	(27)
Mandatorily redeemable preferred securities(2)	(58)
Other liabilities(2)	(66)
Allocated purchase price	$8,749

(1) Reflects St. Paul s shareholders equity ($6,268) less St. Paul s historical goodw ($906) and intangible assets ($140).

(2) Represents adjustments for fair value.

(3) Represents adjustments to conform St. Paul s accounting policy to that of Travelers.

(4) Represents identified finite and indefinite life intangible assets; primarily customer-related insurance intangibles and management contracts and customer relationships associated with Nuveen s asset management business.

(5) Represents a deferred tax liability associated with adjustments to fair value of all assets and liabilities included herein excluding goodwill.

The preliminary unaudited pro forma condensed combined financial statements presented herein are not necessarily indicative of the results of operations or the combined financial position that would have resulted had the merger been completed at the dates indicated, nor is it necessarily indicative of the results of operations in future periods or the future financial position of the combined company.

The preliminary unaudited pro forma condensed combined financial statements have been prepared assuming that the merger is accounted for under the purchase method of accounting (referred to as purchase accounting) with Travelers as the acquiring entity. Accordingly, under purchase accounting, the assets, liabilities and commitments of St. Paul are adjusted to their fair value. For purposes of these preliminary unaudited pro forma condensed combined financial statements, consideration has also been given to the impact of conforming St. Paul s accounting policies to those of Travelers. Additionally, certain amounts in the historical consolidated financial statements of St. Paul have been reclassified to conform to the Travelers financial statement presentation. The preliminary unaudited pro forma condensed combined financial statements do not give consideration to the impact of possible revenue enhancements, expense efficiencies, synergies or asset

dispositions. Also, possible adjustments related to restructuring charges are yet to be determined and are not reflected in the preliminary unaudited pro forma condensed combined financial statements. Charges or credits not expected to have a continuing impact and the related tax effects which result directly from the transaction and which will be included in income within twelve months succeeding the transaction were not considered in the preliminary unaudited pro forma condensed combined income statements.

The preliminary unaudited pro forma adjustments represent management s estimates based on information available at this time. Actual adjustments to the combined balance sheet and income statements will differ, perhaps materially, from those reflected in these preliminary unaudited pro forma condensed combined financial statements because the assets and liabilities of St. Paul will be recorded at their respective fair values on the date the merger is consummated, and the preliminary assumptions used to estimate these fair values

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may change between now and the completion of the merger. Estimated fair value adjustments to certain balance sheet amounts are preliminary and may change as a result of additional analysis. Additionally, these preliminary pro forma purchase accounting adjustments do not include possible fair value adjustments related to certain investments, fixed assets, contracts, leases, other commitments and other miscellaneous assets and liabilities, pending further analysis. The final purchase accounting adjustments may be materially different from the preliminary unaudited pro forma adjustments presented herein.

The preliminary unaudited pro forma adjustments included herein are subject to other updates as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the merger is consummated and after completion of a thorough analysis to determine the fair values of St. Paul tangible and identifiable intangible assets and liabilities. Accordingly, the final purchase accounting adjustments, including conforming of St. Paul s accounting policies to those of Travelers, could be materially different from the preliminary unaudited pro forma adjustments presented herein. Any increase or decrease in the fair value of St. Paul s assets, liabilities, commitments, contracts and other items as compared to the information shown herein will change the purchase price allocable to goodwill and may impact the combined income statements due to adjustments in yield and/or amortization or accretion related to the adjusted assets or liabilities.

Note 2 Pro Forma Adjustments

The pro forma adjustments related to the preliminary Unaudited Pro Forma Condensed Combined Balance Sheet as of September 30, 2003 assume the merger took place on September 30, 2003. The pro forma adjustments to the preliminary Unaudited Pro Forma Condensed Combined Income Statements for the nine months ended September 30, 2003 and for the year ended December 31, 2002 assume the merger took place on January 1, 2002.

The following pro forma adjustments result from the allocation of the purchase price for the acquisition based on the fair value of the assets, liabilities and commitments acquired from St. Paul and to conform St. Paul s accounting policies to Travelers. The amounts and descriptions related to the preliminary adjustments are as follows:

	Increase (Decrease) as of September 30, 2003
	(in millions)
Unaudited Pro Forma Condensed Combined Balance Sheet	
Assets	
a) Adjustment of carrying amount of investment real estate to fair value	$ 335
b) Reinsurance recoverables	
i. Adjustment to conform the accounting policy for discounting certain workers compensation claim reserves	$ (15)
	$ (400)

ii. Adjustment to record the reinsurance recoverables related to claims and claim adjustment expense reserves at fair value See Note 3	
c) Adjustment to conform the accounting policy for the deferral of certain policy acquisition costs	$ (76)
d) Adjustment to record the deferred tax liability resulting from all pro forma adjustments except goodwill at a statutory rate of 35%	$ (338)
e) Net adjustment to eliminate St. Paul s historical goodwill and to record the goodwill associated with the acquisition	$1,854
f) Net adjustment to eliminate St. Paul s historical intangible assets and to record the identifiable intangible assets related to this merger See Note 4	$1,110
g) Other assets	
i. Adjustment to record the fair value of St. Paul s pension plans, using the December 31, 2002 plan assumptions	$ (342)
ii. Adjustment to eliminate St. Paul s unamortized issue costs related to long-term debt, equity unit related debt and mandatorily redeemable preferred securities	$ (40)

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	Increase (Decrease) as of September 30, 2003 (in millions)
Unaudited Pro Forma Condensed Combined Balance Sheet (continued)	
Liabilities	
h) Claims and claim adjustment expense reserves	
i. Adjustment to conform the accounting policy for discounting certain workers compensation claim reserves	$ (120)
ii. Adjustment to record claims and claim adjustment expense reserves at fair value See Note 3	$ (600)
i) Adjustment to record long-term debt, equity unit related debt and mandatorily redeemable preferred securities at fair value	$ 261
j) Other liabilities	
i. Adjustment to record the fair value of St. Paul s post-retirement benefit plans, using the December 31, 2002 plan assumptions	$ 66
ii. Adjustment to record the liability for Travelers estimated merger related transaction costs	$ 15
Shareholders Equity	
k) Preferred stock	
i. Adjustment to record convertible preferred stock at fair value	103
ii. Adjustment to record the guaranteed obligation under the Preferred Stock Ownership Plan at fair value	(2)
l) Net adjustment to remove the historical par value of Travelers Class A common stock, Class B common stock, additional paid-in capital and treasury stock	$ (8,633)
m) Adjustment to remove St. Paul s retained earnings and accumulated other changes in equity from nonowner sources	$ (3,546)
n) Adjustment to St. Paul s no par value common stock to record the impact of l and m above	$ 12,179
o) Adjustment to record the excess of the fair value of St. Paul s no par value common stock over its historical common shareholders equity based on shares outstanding at September 30, 2003 at an average of the closing prices of St. Paul common stock for the two trading days before through the two trading days after St. Paul and Travelers announced their merger agreement on	$ 2,140

November 17, 2003	
p) Adjustment to record the fair value of St. Paul s outstanding stock options	$ 225

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	Increase (Decrease)	
	Nine months ended September 30, 2003	Year ended December 31, 2002
	(in millions)	
Unaudited Pro Forma Condensed Combined Income Statement		
Revenues		
q) Net investment income		
i. Adjustment to recognize the amortization of fair value adjustments allocated to investments using the interest method over the estimated remaining life of the investments See Note 6	$ (94)	$(176)
ii. Adjustment to conform the accounting policy for certain private equity investments	$	$(111)
r) Adjustment to net realized investment gains (losses) to conform the accounting policy for certain private equity investments See Note 6	$	$ 94
Claims and Expenses		
s) Adjustment to claims and claim adjustment expenses to reflect the accretion of fair value See Note 3	$ 90	$ 115
t) Adjustment to the amortization of deferred policy acquisition costs due to conforming the accounting policy described in c above	$(275)	$(342)
u) Adjustment to interest expense for the amortization of fair value adjustments allocated to long-term debt, equity unit related debt and mandatorily redeemable preferred securities, using the interest method over the remaining term to maturity	$ (14)	$ (19)
v) General and administrative expenses		
i. Adjustment to amortization expense for the estimated value of identifiable intangible assets with finite lives See Note 4	$ 98	$ 159
ii. Adjustment to the amortization of deferred policy acquisition costs after conforming the accounting policy described in c above	$ 282	$ 341
w) To adjust income taxes for all pro forma adjustments except goodwill at the statutory rate of 35%.	$ (96)	$(156)

The pro forma adjustments do not include an anticipated restructuring charge in conjunction with the merger. The preliminary estimate related to restructuring is approximately $300 million to $400 million and is subject to final decisions by management of the combined company. These costs may include severance

payments, asset write-offs and other costs associated with the process of combining the companies. No determination has been made as to the allocation of the restructuring reserve between St. Paul and Travelers related expenditures for purposes of the preliminary unaudited pro forma condensed combined financial statements.

Certain other assets and liabilities of St. Paul will also be subject to adjustment to their respective fair values at the time of the merger. Pending further analysis, no pro forma adjustments are included herein for these assets and liabilities.

Note 3 Fair Value of Claims and Claim Adjustment Expense Reserves and Reinsurance Recoverables

An adjustment has been applied to the St. Paul s claims and claim adjustment expense reserves to estimate their fair value. Since such reserves are not traded in a secondary market, the determination of a fair value is approximated by using risk-adjusted present value techniques. Such techniques require application of significant judgment and assumptions.

The fair value adjustment that was applied included (1) discounting the reserves at risk-free rates of interest over an assumed period of 30 years and (2) adding a risk factor that reflects the uncertainty within the reserves. Various methodologies were considered to address the uncertainty in the reserves, including alternative measures of the opportunity cost of capital and other underlying factors.

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For purposes of the Unaudited Pro Forma Condensed Combined Income Statements, which assume that the merger was consummated on January 1, 2002, the range of risk-free rates of interest employed in the calculation was approximately 1.8% to 5.9%, averaging 4.3% over an assumed period of 30 years. The fair value adjustment is being accreted in the pro forma income statements over the period that the reserves are expected to remain outstanding, using an interest method that locks in the initial interest rates by expected payment date.

For purposes of the Unaudited Pro Forma Condensed Combined Balance Sheet at September 30, 2003, the range of risk-free rates of interest applied to the fair value adjustment was approximately 1.0% to 5.1%, averaging 3.0% over an assumed period of 30 years.

A similar methodology was applied to the related ceded reinsurance recoverables.

These estimates are subject to change, based on actual interest rates as of the closing date of the merger and continuing refinement of the methodologies underlying risk factor development. As a result, the amount of the final purchase accounting adjustment and subsequent accretion could differ materially from the amounts presented in the preliminary unaudited pro forma condensed combined financial statements.

Note 4 Identified Intangible Assets

A summary of the significant identifiable intangible assets and their respective estimated useful lives is as follows:

	September 30, 2003		
	Intangible Asset Balance	Estimated Useful Life	Amortization Method
	($ in millions)		
Insurance Operations:			
Customer relationships	$650	8 years	Accelerated(a)
Contractual agency relationships	15	2 years	Straight line
St. Paul trademark and trade name	35	3 years	Straight line
State licenses	20	Indefinite	N/A
Total Insurance Operations	$720		
Asset Management Business(b):			
Management contracts and customer relationships:			
Closed-end funds	$390	Indefinite	N/A
Open-end funds	65	12 years	Straight line
Managed wrap/hedge accounts	30	4 years	Straight line

Managed institutional accounts	30	19 years	Straight line
Nuveen trade name	15	Indefinite	N/A
Total Asset Management	$530		

(a) Based on rates derived from expected business retention and profitability levels

(b) Amounts related to this business are included at St. Paul s 79% approximate ownership interest of Nuveen Investments

Note 5 Earnings Per Share

The pro forma earnings per common share data has been computed based on the combined historical income of St. Paul and Travelers and the impact of purchase accounting adjustments. Weighted average shares were calculated using St. Paul s historical weighted average common shares outstanding and Travelers weighted average common shares outstanding multiplied by the exchange ratio.

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Note 6 Net Realized Investment Gains (Losses)

The investment portfolio fair value adjustment treats net unrealized investment gains (losses) as though they were realized, thereby creating a new basis for such investments. No separate adjustment has been made in the preliminary Unaudited Pro Forma Condensed Combined Income Statements to adjust historical net realized investment gains (losses) for the resulting new basis that would have been established had the merger been completed on January 1, 2002.

Note 7 Pension Cost

The fair value adjustment for St. Paul s pension and postretirement benefit plans treats the previously unrecognized prior service cost and net actuarial loss as though they were recognized. No separate adjustment has been made in the preliminary Unaudited Pro Forma Condensed Combined Income Statements to adjust net periodic pension and postretirement benefit cost.

Note 8 Transactions Between St. Paul and Travelers

The preliminary unaudited pro forma condensed combined financial statements have not been adjusted for the impact of transactions between St. Paul and Travelers. Based on current analysis, such transactions are not expected to have a significant impact on the preliminary unaudited pro forma condensed combined financial statements.

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EXPERTS

The consolidated financial statements and schedules of St. Paul as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit reports covering the December 31, 2002 financial statements and schedules refer to changes in methods of accounting for business combinations and goodwill and other intangible assets in 2002 and for derivative instruments and hedging activities in 2001.

The consolidated financial statements and schedules of Travelers as of December 31, 2002 and 2001, and for each of the years in the three-year period ended December 31, 2002 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The audit reports covering the December 31, 2002 financial statements and schedules refer to changes in methods of accounting for goodwill and other intangible assets in 2002 and accounting for derivative instruments and hedging activities and for securitized financial assets in 2001.

LEGAL MATTERS

The validity of shares of St. Paul Travelers common stock to be issued in the merger will be passed upon for St. Paul by Faegre & Benson LLP. Davis Polk & Wardwell and Simpson Thacher & Bartlett LLP will deliver their opinions to St. Paul and Travelers, respectively, as to certain federal income tax consequences of the merger. See Material United States Federal Income Tax Consequences Of The Merger .

OTHER MATTERS

As of the date of this document, the St. Paul board of directors and the Travelers board of directors know of no matters that will be presented for consideration at their respective special meetings other than as described in this document. However, if any other matter shall properly come before these special meetings or any adjournment or postponement thereof and shall be voted upon, the proposed proxy will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notice of special meeting. However, no proxy that is voted against approval of the merger and the merger agreement or the issuance of shares of St. Paul Travelers common stock, as applicable, will be voted in favor of any adjournment or postponement.

St. Paul 2004 Annual Meeting Shareholder Proposals

St. Paul has historically held its annual meeting of shareholders on the first Tuesday in May of each year. Because of the anticipated timing of the effectiveness of the merger, St. Paul has determined to hold the meeting on July 15, 2004.

If any shareholder wishes to propose a matter for consideration at the 2004 annual meeting of shareholders, the proposal should be mailed by certified mail,

return receipt requested, to St. Paul s Corporate Secretary, 385 Washington Street, St. Paul, MN 55102. To be eligible under the Securities and Exchange Commission s shareholder proposal rule (Rule 14a-8) for inclusion in the 2004 annual meeting proxy statement and form of proxy, a proposal must have been received by St. Paul s Corporate Secretary by March 1, 2004.

For a shareholder proposal submitted outside of the process provided by Rule 14a-8, to be eligible for consideration at the 2004 annual meeting, notice must be received by the St. Paul Corporate Secretary by May 17, 2004.

Any such notice must include as to each matter a shareholder proposes to bring before the 2004 annual meeting the following information: a brief description of the business desired to be brought before the meeting and the reasons for conducting the business at the meeting; the name and address, as they appear on St. Paul s

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share register, of the shareholder proposing such business; the class and number of shares of St. Paul stock that are beneficially owned by the shareholder; and any material interest of the shareholder in such business.

Travelers 2004 Annual Meeting Shareholder Proposals

Travelers held its 2003 annual meeting of shareholders on April 24, 2003. In view of the expected timing of the effectiveness of the merger, Travelers does not currently expect to hold an annual meeting of its shareholders in 2004.

If Travelers does hold an annual meeting of shareholders in 2004, the date of the meeting will likely be after May 24, 2004 (more than 30 days from the date of last year s meeting). If that is the case, then Rule 14a-8 of the Securities Exchange Act of 1934, as amended, would require shareholder proposals submitted for inclusion in Travelers proxy materials for that meeting must be received by the Secretary of Travelers a reasonable time before Travelers begins to print and mail its proxy materials. If, however, Travelers holds an annual meeting on or before May 24, 2004, then such shareholder proposals must have been received not later than November 20, 2003 in order to be included in Travelers proxy materials for that meeting.

In addition to these SEC rules, Travelers bylaws require advance notice of business to be brought before a shareholders meeting, including nominations of persons for election as directors. Generally, notice to Travelers Secretary must be given at least 90 days, but not more than 120 days before the anniversary of the immediately preceding annual meeting of shareholders. However, if Travelers holds a 2004 annual meeting after May 19, 2004 (more than 25 days from last year s meeting), in order for any proposed business to be considered at the meeting, Travelers Secretary must receive advance notice of the proposed business no later than the close of business on the tenth day following the day on which notice of the date of the annual meeting is mailed or public disclosure of the date of the annual meeting is made, whichever first occurs. If, however, Travelers holds an annual meeting on or before May 19, 2004, then such shareholder proposals must have been received not later than January 25, 2004. Shareholder proposals also must comply with certain other requirements in the bylaws. To provide notice of a shareholder proposal or to obtain a copy of the bylaws from the Secretary, please direct correspondence to: Corporate Secretary, Travelers Property Casualty Corp., One Tower Square, Hartford, Connecticut 06183.

Householding of Proxy Materials

SEC rules permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements with respect to two or more shareholders sharing the same address by delivering a single proxy statement addressed to those shareholders. This process, which is commonly referred to as householding , potentially provides extra convenience for shareholders and cost savings for companies. Some brokers household proxy materials, delivering a single proxy statement to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement, please notify your broker. You may also call (800) 542-1061, or write to: Householding Department, 51 Mercedes Way, Edgewood, NY 11717, and include your name, the name of your broker or other nominee, and your account number(s). You can also request prompt delivery of a copy of this joint proxy statement/prospectus. See Where You Can Find More Information beginning on page 141 .

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WHERE YOU CAN FIND MORE INFORMATION

St. Paul has filed with the Securities and Exchange Commission a registration statement under the Securities Act of 1933, as amended, that registers the distribution to Travelers shareholders of the shares of St. Paul Travelers common stock to be issued in the merger. This document is part of that registration statement and constitutes a prospectus of St. Paul in addition to being a proxy statement of St. Paul and Travelers for their respective meetings. The rules and regulations of the Securities and Exchange Commission allow us to omit from this document certain information included in the registration statement or in the exhibits to the registration statement.

In addition, St. Paul and Travelers file reports, proxy statements and other information with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the following location of the Securities and Exchange Commission:

Public Reference Room

450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

You may also obtain copies of this information by mail from the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. You may obtain information on the operation of the Securities and Exchange Commission s Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission also maintains an Internet worldwide web site that contains reports, proxy statements and other information about issuers, like St. Paul and Travelers, who file electronically with the Securities and Exchange Commission. The address of the site is http://www.sec.gov.

You may also inspect reports, proxy statements and other information about St. Paul and Travelers at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10004.

The Securities and Exchange Commission allows St. Paul and Travelers to incorporate by reference information into this document. This means that St. Paul and Travelers can disclose important information to you by referring you to another document filed separately with the Securities and Exchange Commission. The information incorporated by reference is considered to be a part of this document, except for any information superseded by information that is included directly in this document or incorporated by reference subsequent to the date of this document.

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This document incorporates by reference the documents listed below that Travelers and St. Paul previously filed with the Securities and Exchange Commission. They contain important information about the companies and their financial condition.

St. Paul Securities and Exchange Commission Filings	Period or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2002
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2003, June 30, 2003 and September 30, 2003
Current Reports on Form 8-K	Filed on April 30, 2003 (Item 5), November 17, 2003 and January 29, 2004 (Item 5)
Proxy Statement on Schedule 14A	Filed on March 28, 2003
The description of St. Paul common stock set forth in the registration statement on Form 8-A (No. 001-10898) filed pursuant to Section 12 of the Exchange Act on October 17, 1991 and the description of the St. Paul equity units set forth in the registration statement on Form 8-A (No. 001-10898) filed on July 25, 2002 (including the amendment thereto filed on August 1, 2002) and any other amendments or reports filed with the Securities and Exchange Commission for the purpose of updating these descriptions	Filed on July 25, 2002 and August 1, 2002

Travelers Securities and Exchange Commission Filings	Period or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2002
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2003, June 30, 2003 and September 30, 2003 (as amended)
Current Reports on Form 8-K	Filed on January 14, 2003, January 24, 2003, February 3, 2003, March 12, 2003, April 1, 2003, April 17, 2003, May 22, 2003, July 17, 2003, August 4, 2003, October 3, 2003, November 17, 2003 and November 24, 2003
Proxy Statement on Schedule 14A	Filed on March 17, 2003
The description of Travelers common stock set forth in the registration statement on Form 8-A (No. 001-31266) filed pursuant to Section 12 of the Exchange Act on March 12, 2002 and the Form 8-A (No. 001-31266) filed on July 29, 2002, including any amendment or report filed with the Securities and Exchange Commission for the purpose of updating this description	Filed on March 12, 2002 and July 29, 2002

In addition, St. Paul and Travelers also incorporate by reference additional documents that either company may file with the Securities and Exchange Commission between the date of this document and the date of the St. Paul special meeting or the Travelers special meeting, respectively. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

St. Paul has supplied all information contained or incorporated by reference in this document relating to St. Paul, and Travelers has supplied all such information relating to Travelers.

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Documents incorporated by reference are available from St. Paul and Travelers without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference in this document by requesting them in writing or by telephone from the appropriate company at the following addresses:

The St. Paul Companies, Inc.	**Travelers Property Casualty Corp.**
385 Washington Street	One Tower Square
St. Paul, Minnesota 55102	Hartford, Connecticut 06183
(651) 310-7911	(860) 277-0111

St. Paul and Travelers shareholders requesting documents should do so by March 12, 2004 in order to receive them before the special meetings. **You will not be charged for any of these documents that you request. If you request any incorporated documents from St. Paul or Travelers, St. Paul or Travelers will mail them to you by first class mail, or another equally prompt means, as soon as practicable after it receives your request.**

Neither St. Paul nor Travelers has authorized anyone to give any information or make any representation about the merger or our companies that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated into this document. Therefore, if anyone gives you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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APPENDICES

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APPENDIX A

AGREEMENT AND PLAN OF MERGER*

effective as of

November 16, 2003

among

THE ST. PAUL COMPANIES, INC.

TRAVELERS PROPERTY CASUALTY CORP.

and

ADAMS ACQUISITION CORP.

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* This document reflects technical changes and corrections effected by the Amendment Agreement dated as of February 12, 2004 by and among the parties hereto.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of November 16, 2003 (the **Agreement**) among The St. Paul Companies, Inc., a Minnesota corporation (**Parent**), Travelers Property Casualty Corp., a Connecticut corporation (the **Company**), and Adams Acquisition Corp., a Connecticut corporation and a direct wholly owned subsidiary of Parent (**Merger Sub**).

WHEREAS, the Boards of Directors of each of Parent, the Company and Merger Sub have approved this Agreement and deem it advisable and in the best interests of their respective shareholders to consummate the transactions contemplated hereby on the terms and conditions set forth herein; and

WHEREAS, it is intended that, for United States federal income tax purposes (i) the Merger shall qualify as a reorganization within the meaning of Section 368(a of the Internal Revenue Code of 1986, as amended (the **Code**) and (ii) this Agreement shall constitute a plan of reorganization within the meaning of Treasury Regulation Section 1.368-2(g).

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth below, the parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

Section 1.01. *Definitions.* (a) The following terms, as used herein, have the following meanings:

Affiliate means, with respect to any Person, any other Person directly or indirectly controlling, controlled by, or under common control with such Person.

Business Day means a day, other than Saturday, Sunday or other day on which commercial banks in New York, New York are authorized or required by law to close.

CBCA means the Connecticut Business Corporation Act.

Company Balance Sheet means the consolidated balance sheet of the Company as of December 31, 2002, and the notes thereto, set forth in the Company 10-K.

Company Balance Sheet Date means December 31, 2002.

Company Class A Common Stock means the Class A common stock, par value $0.01 per share, of the Company.

Company Class B Common Stock means the Class B common stock, par value $0.01 per share, of the Company.

Company Common Stock means the Company Class A Common Stock together with the Company Class B Common Stock.

Company Convertible Notes means the Convertible Junior Subordinated Notes due 2032 of the Company.

Company Disclosure Schedule means the Company disclosure schedule delivered to Parent concurrently herewith.

Company Employee Plan means any Employee Plan that is maintained, administered, sponsored by or contributed to by the Company, any of its Subsidiaries or any of their respective ERISA Affiliates or with respect to which the Company or any of its Subsidiaries has any liability.

Company Indenture means the Indenture, dated as of March 27, 2002, between Travelers Property Casualty Corp. and The Bank of New York, as trustee, as amended and supplemented by the First Supplemental Indenture dated as of March 27, 2002, between Travelers Property Casualty Corp. and The Bank of New York, as trustee.

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Company International Plan means any International Plan that is maintained, administered, sponsored by or contributed to by the Company or any of its Subsidiaries or with respect to which the Company or any of its Subsidiaries has any liability.

Company 10-K means the Company s annual report on Form 10-K for the fiscal year ended December 31, 2002 filed with the SEC prior to the date hereof.

DOJ means the United States Department of Justice.

Employee Plan means any employee benefit plan , as defined in Section 3(3 of ERISA; any employment, severance or similar service agreement, plan, arrangement or policy; any other plan or arrangement providing for compensation, bonuses, profit-sharing, stock option or other equity-related rights or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), medical, dental or vision benefits, disability or sick leave benefits, life insurance, employee assistance program, workers compensation, supplemental unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension or insurance benefits); or any loan; in each case covering or extended to any current or former director, employee or independent contractor; *provided, however*, that any International Plan (and any plan or program that would otherwise constitute an International Plan, but for the proviso in the definition of such term) shall not constitute an Employee Plan.

Environmental Laws means any federal, state, local or foreign law (including common law), treaty, judicial decision, regulation, rule, judgment, order, decree, injunction, permit or governmental restriction or requirement or any agreement with any Governmental Authority or other third party, relating to human health and safety, the environment or to pollutants, contaminants, wastes or chemicals or any toxic, radioactive, ignitable, corrosive, reactive or otherwise hazardous substances, wastes or materials.

Environmental Permits means, with respect to any Person, all permits, licenses, franchises, certificates, approvals and other similar authorizations of governmental authorities relating to or required by Environmental Laws and affecting, or relating in any way to, the business of such Person or any of such Person s Subsidiaries, as currently conducted.

ERISA means the Employee Retirement Income Security Act of 1974.

ERISA Affiliate of any entity means any other entity that, together with such entity, would be treated as a single employer under Section 414 of the Code.

FTC means the United States Federal Trade Commission.

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

International Plan means, whether or not statutorily required, any employment, severance or similar service agreement, plan, arrangement or policy; any other plan or arrangement providing for compensation, bonuses, profit-sharing, stock option or other equity-related rights or other forms of incentive or deferred compensation, vacation benefits, insurance (including any self-insured arrangements), medical, dental or vision benefits, disability or sick leave benefits, life insurance, employee assistance program, workers compensation, supplemental

unemployment benefits, severance benefits and post-employment or retirement benefits (including compensation, pension or insurance benefits); or any loan; in each case covering or extended to any current or former director, employee or independent contractor, where such individuals are located exclusively outside of the United States; *provided, however*, that a plan or program sponsored or operated by a governmental authority (including the Canada/ Quebec Pension Plan, any provincial health plan in Canada and the State Earnings Related Pension Scheme in the United Kingdom) shall not constitute an International Plan.

knowledge means (A) with respect to Parent, the knowledge of the individuals named on Section 1.01 of the Parent Disclosure Schedule, after reasonable inquiry, and (B) with respect to the Company, the knowledge of the individuals named on Section 1.01 of the Company Disclosure Schedule, after reasonable inquiry.

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Lien means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset. For purposes of this Agreement, a Person shall be deemed to own subject to a Lien any property or asset that it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such property or asset.

Nuveen means Nuveen Investments, Inc., a Delaware corporation.

Nuveen Credit Facilities means the Three-Year Credit Agreement, dated as of August 7, 2003, among Nuveen, Bank of America, N.A., Citibank, N.A. and Bank One, N.A. and the 364-Day Credit Agreement, dated as of August 7, 2003, among Nuveen, Bank of America, N.A., Citibank, N.A. and Bank One, N.A.

NYSE means the New York Stock Exchange.

1933 Act means the Securities Act of 1933.

1934 Act means the Securities Exchange Act of 1934.

Parent Balance Sheet means the consolidated balance sheet of Parent as of December 31, 2002, and the notes thereto, set forth in the Parent 10-K.

Parent Balance Sheet Date means December 31, 2002.

Parent Common Stock means the common stock, without designated par value, of Parent.

Parent Convertible Notes means the Zero Coupon Convertible Notes due 2009 of Parent.

Parent Disclosure Schedule means the Parent disclosure schedule delivered to the Company concurrently herewith.

Parent Employee Plan means any Employee Plan that is maintained, administered, sponsored by or contributed to by Parent, any of its Subsidiaries or any of their respective ERISA Affiliates or with respect to which Parent or any of its Subsidiaries has any liability.

Parent Equity Unit means a Corporate Unit or a Treasury Unit, each as defined in the Purchase Contract Agreement, dated as of July 31, 2002, between Parent and JPMorgan Chase Bank, as purchase contract agent.

Parent International Plan means any International Plan that is maintained, administered, sponsored by or contributed to by Parent or any of its Subsidiaries or with respect to which Parent or any of its Subsidiaries has any liability.

Parent Preferred Stock means the Series B Convertible Preferred Stock of Parent.

Parent Trust Securities means the 7.6% Trust Preferred Securities of St. Paul Capital Trust I, the 7 5/8 Series B Capital Securities of MMI Capital Trust I, the 8.5% Series A Capital Securities of USF&G Capital I, the 8.47% Series B

Capital Securities of USF&G Capital II and the 8.312% Series C Capital Securities of USF&G Capital III.

Parent 10-K means Parent s annual report on Form 10-K for the fiscal year ended December 31, 2002 filed with the SEC prior to the date hereof.

Person means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

SEC means the Securities and Exchange Commission.

Significant Subsidiary has the meaning specified in Regulation S-X under the 1934 Act.

Subsidiary means, with respect to any Person, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at any time directly or indirectly owned by such Person.

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Third Party means any Person, as defined in Section 13(d) of the 1934 Act, other than Parent or any Affiliate of Parent.

(b) Each of the following terms is defined in the Section set forth opposite such term:

Term	Section
Acquisition Proposal	7.05(a)
Advisers Act	4.03
Agreement	Preamble
Applicable Party	7.05
CEA	4.19(a)
Certificates	3.04(a)
CFTC	4.19(a)
Change in Recommendation	7.05(b)
Client	7.04(e)
Closing	2.05
Code	Recitals
Company	Preamble
Company Actuarial Analyses	5.16(c)
Company Employees	7.07
Company Insurance Subsidiaries	5.07
Company Intellectual Property Rights	5.25(b)(ii)
Company Material Adverse Effect	5.01(b)
Company Necessary Consents	5.03
Company Permits	5.01(a)
Company Rights	5.28(b)
Company Rights Agreement	5.28(b)
Company SAP Statements	5.09
Company SEC Documents	5.08(a)
Company Securities	5.05(b)
Company Shareholder Approval	5.02
Company Shareholder Meeting	7.01(b)
Company Stock Option	3.03
Company Stock Plan	3.03
Company Stock-Based Award	3.03(b)
Company Subsidiary Securities	5.06(b)
Company Termination Fee	10.04(b)
Confidentiality Agreement	7.03
Effective Time	2.01(b)
End Date	9.01(b)
Exchange Agent	3.04(a)
Existing Plans	7.07(a)
Exchange Ratio	3.01(b)
GAAP	4.11
Governmental Authority	4.03
Insurance Laws	4.14(a)
Investment Advisory Laws	4.14(a)

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Term	Section
Investment Company	4.15(b)
Joint Proxy Statement	4.12
Laws	4.15(d)
Merger	2.01
Merger Certificate	2.01(b)
Merger Consideration	3.01(b)
Merger Sub	Preamble
Multiemployer Plan	4.23(c)
Necessary Consents	5.03
1940 Act	4.03
New Plans	7.07(b)
Nuveen SEC Documents	4.09(a)
Parent	Preamble
Parent Actuarial Analyses	4.17(c)
Parent Asset Management Subsidiaries	4.14(a)
Parent Insurance Subsidiaries	4.07
Parent Intellectual Property Rights	4.26
Parent Material Adverse Effect	4.01(b)
Parent Necessary Consents	4.03
Parent Permits	4.01(a)
Parent SAP Statements	4.10
Parent SEC Documents	4.08(a)
Parent Securities	4.05(b)
Parent Shareholder Approval	4.02(a)
Parent Shareholder Charter Approval	4.02(a)
Parent Shareholder Transaction Approval	4.02(a)
Parent Shareholder Meeting	7.01(c)
Parent Stock-Based Award	3.03(b)
Parent Stock Option	3.03
Parent Stock Plan	4.05(a)
Parent Subsidiary Securities	4.06(b)
Parent Termination Fee	10.04(c)
Proprietary Funds	4.15(b)
Registration Statement	4.12
Required Approvals	7.04
SAP	4.10
Sarbanes-Oxley Act	4.08(e)
Shareholder Meeting	7.01(c)
Superior Proposal	7.05(c)
Surviving Corporation	2.01
Tax	4.22(g)
Tax Asset	4.22(g)
Tax Return	4.22(g)
Tax Sharing Agreements	4.22(g)

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Term	Section
Taxing Authority	4.22(g)
Third-Party Intellectual Property Rights	4.26(b)(i)
Uncertificated Shares	3.04(a)
WARN Act	4.24(b)

(c) When a reference is made in this Agreement to Articles, Sections, Exhibits or Schedules, such reference shall be to an Article or Section of or Exhibit or Schedule to this Agreement unless otherwise indicated. The table of contents and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words include , includes or including are used in this Agreement, they shall be deemed to be followed by the words without limitation . Any reference in this Agreement to a statute shall be to such statute as amended from time to time, and to the rules and regulations promulgated thereunder.

ARTICLE 2

THE MERGER

Section 2.01. *The Merger.* (a) At the Effective Time, Merger Sub shall be merged with and into the Company (the **Merger**) in accordance with the CBCA, and upon the terms set forth in this Agreement, whereupon the separate existence of Merger Sub shall cease and the Company shall be the surviving corporation (the **Surviving Corporation**) and shall continue its existence under the laws of the State of Connecticut. As a result of the Merger, the Company shall become a wholly owned subsidiary of Parent.

(b) As soon as practicable (and, in any event, within five Business Days) after satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger set forth in Article 8, other than conditions that by their nature are to be satisfied at the Effective Time and will in fact be satisfied at the Effective Time, a certificate of merger shall be duly prepared, executed and acknowledged by Merger Sub and the Company and thereafter delivered to and filed with the Secretary of State of the State of Connecticut pursuant to the CBCA (the **Merger Certificate**) and all other filings or records required under the CBCA shall be made. The Merger shall become effective at the Effective Time. As used herein, the term **Effective Time** means such time as is mutually agreeable to the Company and Parent on the date of filing of the Articles of Merger, or on such other subsequent date or time as may be agreed by the Company and Parent.

(c) The Merger shall have the effects set forth in Section 33-820 of the CBCA.

Section 2.02. *Certificate of Incorporation.* The certificate of incorporation of the Company in effect at the Effective Time shall be the certificate of incorporation of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

Section 2.03. *Bylaws.* At the Effective Time, the bylaws of the Company shall be the bylaws of the Surviving Corporation until thereafter changed or amended as provided therein or by applicable law.

Section 2.04. *Directors and Officers of the Surviving Corporation.* From and after the Effective Time, until successors are duly elected or appointed and qualified in accordance with applicable law, (a) the directors of Merger Sub at the Effective Time shall be the directors of the Surviving Corporation and (b) the officers of the Company at the Effective Time shall be the officers of the Surviving Corporation.

Section 2.05. *Closing.* Upon the terms and subject to the conditions set forth herein, including the conditions set forth in Article 8 and the termination rights set forth in Article 9, the closing of the Merger (the **Closing**) will take place on the date on which the Effective Time occurs, unless this Agreement has been theretofore terminated pursuant to its terms or unless another time or date is agreed to in writing by the parties hereto. The Closing shall be held at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York, 10017, unless another place is agreed to in writing by the parties hereto.

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ARTICLE 3

CONVERSION OF SECURITIES

Section 3.01. *Conversion of Securities.* At the Effective Time, by virtue of the Merger and without any action on the part of Parent, Merger Sub or any holder of any shares of Company Common Stock:

(a) All shares of Company Common Stock that are held by the Company as treasury stock or that are owned by Parent, the Company or Merger Sub immediately prior to the Effective Time (and in each case that are not held on behalf of or as fiduciary for third parties) shall cease to be outstanding and shall be cancelled and retired and shall cease to exist.

(b) Subject to Section 3.01(a) and Section 3.05, each outstanding share of Company Common Stock (together with the Company Rights attached thereto) issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive 0.4334 (the **Exchange Ratio**) of a fully paid and nonassessable share of Parent Common Stock (together with any cash in lieu of fractional shares of Parent Common Stock pursuant to Section 3.05, the **Merger Consideration**). All of such shares of Parent Common Stock shall be duly authorized and validly issued and free of preemptive rights, with no personal liability attaching to the ownership thereof.

(c) Each share of Merger Sub common stock issued and outstanding immediately prior to the Effective Time shall be converted into one share of Class A common stock of the Surviving Corporation.

Section 3.02. *Certain Adjustments.* If, between the date of this Agreement and the Effective Time, there is a reclassification, recapitalization, stock split, split-up, stock dividend, combination or exchange of shares with respect to, or rights issued in respect of, the capital stock of Parent or the Company, the Exchange Ratio shall be adjusted accordingly to provide to the holders of Company Common Stock the same economic effect as contemplated by this Agreement prior to such event.

Section 3.03. *Company Stock Options and Other Equity-based Awards.* (a) Each option to purchase shares of Company Common Stock (a **Company Stock Option**) granted under an equity compensation plan of the Company (a **Company Stock Plan**), whether vested or unvested, that is outstanding immediately prior to the Effective Time shall cease to represent a right to acquire shares of Company Common Stock and shall be converted, at the Effective Time, into an option to purchase shares of Parent Common Stock (a **Parent Stock Option**) on the same terms and conditions (including any option reload features relating to any Company Stock Option outstanding on the date hereof or granted after the date hereof; *provided* that any hereafter granted Company Stock Option is granted in accordance with Section 6.02(s)) as were applicable under such Company Stock Option (but taking into account any changes thereto, including any acceleration thereof, provided for in the relevant Company Stock Plan, or in the related award document by reason of the transactions contemplated hereby). The number of shares of Parent Common Stock subject to each such Parent Stock Option shall be equal to the number of shares of Company Common Stock subject to each such Company Stock Option multiplied by the Exchange Ratio, rounded down, if necessary, to the nearest whole share of Parent Common Stock, and such Parent Stock Option shall have an exercise price per share (rounded up to the nearest one-hundredth of a dollar) equal to the per share exercise price specified in such Company Stock Option divided by the Exchange Ratio; provided, however, that in the case of any Company Stock Option to which Section 421 of the Code

applies as of the Effective Time (after taking into account the effect of any accelerated vesting thereof, if applicable) by reason of its qualification under Section 422 of the Code, the exercise price, the number of shares of Parent Common Stock subject to such option and the terms and conditions of exercise of such option and any related stock appreciation right shall be determined in a manner consistent with the requirements of Section 424(a) of the Code.

(b) At the Effective Time, each right of any kind, contingent or accrued, to receive shares of Company Common Stock and each award of any kind consisting of, based on or relating to shares of Company Common Stock granted under a Company Stock Plan (including restricted stock, deferred stock awards, stock units, phantom awards and dividend equivalents), other than Company Stock Options (each, a **Company Stock-Based Award**), whether vested or unvested, which is outstanding immediately prior to the Effective Time shall cease to represent a right or award with respect to shares of Company Common Stock and shall be

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converted, at the Effective Time, into a right or award with respect to Parent Common Stock (a **Parent Stock-Based Award**), on the same terms and conditions as were applicable under Company Stock-Based Awards (but taking into account any changes thereto, including any acceleration thereof, provided for in the relevant Company Stock Plan or in the related award document by reason of the transactions contemplated hereby). The number of shares of Parent Common Stock subject to each such Parent Stock-Based Award shall be equal to the number of shares of Company Common Stock subject to the Company Stock-Based Award multiplied by the Exchange Ratio, rounded down if necessary to the nearest whole share of Parent Common Stock. Any dividend equivalents credited to the account of each holder of a Company Stock-Based Award as of the Effective Time shall remain credited to such holder s account immediately following the Effective Time, subject to adjustment in accordance with the foregoing.

(c) As soon as practicable after the Effective Time, Parent shall deliver to the holders of Company Stock Options and Company Stock-Based Awards any required notices setting forth such holders rights pursuant to the relevant Company Stock Plans and award documents and stating that such Company Stock Options and Company Stock-Based Awards have been assumed by Parent and shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section 3.03 after giving effect to the Merger and the terms of the relevant Company Stock Plans).

(d) Prior to the Effective Time, the Company shall take all necessary action for the adjustment of Company Stock Options and Company Stock-Based Awards under this Section 3.03. Parent shall reserve for issuance a number of shares of Parent Common Stock at least equal to the number of shares of Parent Common Stock that will be subject to Parent Stock Options and Parent Stock-Based Awards as a result of the actions contemplated by this Section 3.03. As soon as practicable following the Effective Time, Parent shall file a registration statement on Form S-8 or S-3, as the case may be (or any successor form, or if Form S-8 or S-3 is not available, other appropriate forms) with respect to the shares of Parent Common Stock subject to such Parent Stock Options and Parent Stock-Based Awards and shall maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such Parent Stock Options and Parent Stock-Based Awards remain outstanding.

Section 3.04. *Surrender and Payment.* (a) Prior to the Effective Time, Parent shall appoint an agent (the **Exchange Agent**) for the purpose of exchanging for the Merger Consideration (i) certificates representing shares of Company Common Stock (the **Certificates**) or (ii) uncertificated shares of Company Common Stock (the **Uncertificated Shares**), as applicable. Parent shall make available to the Exchange Agent, as needed, the Merger Consideration to be paid in respect of the Certificates and the Uncertificated Shares. Promptly after the Effective Time, Parent shall send, or shall cause the Exchange Agent to send, to each record holder of Company Common Stock at the Effective Time a letter of transmittal and instructions (which shall specify that the delivery shall be effected, and risk of loss and title shall pass, only upon proper delivery of the Certificates or transfer of the Uncertificated Shares to the Exchange Agent) for use in such exchange.

(b) Each holder of shares of Company Common Stock that have been converted into the right to receive the Merger Consideration shall be entitled to receive, upon (i) surrender to the Exchange Agent of a Certificate, together with a properly completed letter of transmittal, or (ii) receipt of an agent s message by the Exchang Agent (or such other evidence, if any, of transfer as the Exchange Agent may reasonably request) in the case of a book-entry transfer of Uncertificated Shares, the Merger Consideration in respect of Company Common Stock represented by a

Certificate or Uncertificated Share. The shares of Parent Common Stock constituting part of the Merger Consideration, at Parent s option, shall be in uncertificated book-entry form, unless a physical certificate is requested by a holder of shares of Company Common Stock or is otherwise required under applicable law. Until so surrendered or transferred, as the case may be, each such Certificate or Uncertificated Share shall represent after the Effective Time for all purposes only the right to receive the Merger Consideration.

(c) If any portion of the Merger Consideration is to be paid to a Person other than the Person in whose name the surrendered Certificate or the transferred Uncertificated Share is registered, it shall be a condition to

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such payment that (i) either such Certificate shall be properly endorsed or shall otherwise be in proper form for transfer or such Uncertificated Share shall be properly transferred and (ii) the Person requesting such payment shall pay to the Exchange Agent any transfer or other taxes required as a result of such payment to a Person other than the registered holder of such Certificate or Uncertificated Share or establish to the satisfaction of the Exchange Agent that such taxes have been paid or are not payable.

(d) All shares of Parent Common Stock issued and cash paid upon conversion of shares of Company Common Stock (together with the Company Rights attached thereto) in accordance with the terms of this Article 3 (including any cash paid pursuant to Section 3.04(g) or Section 3.05) shall be deemed to have been issued or paid in full satisfaction of all rights pertaining to the shares of Company Common Stock (and Company Rights).

(e) After the Effective Time, there shall be no further registration of transfers of shares of Company Common Stock. If, after the Effective Time, Certificates or Uncertificated Shares are presented to the Surviving Corporation, they shall be canceled and exchanged for the Merger Consideration provided for, and in accordance with the procedures set forth, in this Section 3.04.

(f) Any portion of the Merger Consideration made available to the Exchange Agent pursuant to Section 3.04(a) that remains unclaimed by the holders of shares of Company Common Stock six months after the Effective Time shall be returned to Parent upon demand, and any such holder who has not exchanged shares of Company Common Stock for the Merger Consideration in accordance with this Section 3.04 prior to that time shall thereafter look only to Parent for payment of the Merger Consideration, and any dividends and distributions with respect thereto, in respect of such shares without any interest thereon. Notwithstanding the foregoing, Parent shall not be liable to any holder of shares of Company Common Stock for any amounts paid to a public official pursuant to applicable abandoned property, escheat or similar laws. Any amounts remaining unclaimed by holders of shares of Company Common Stock two years after the Effective Time (or such earlier date, immediately prior to such time when the amounts would otherwise escheat to or become property of any governmental authority) shall become, to the extent permitted by applicable law, the property of Parent, free and clear of any claims or interest of any Person previously entitled thereto.

(g) No dividends or other distributions with respect to Parent Common Stock constituting part of the Merger Consideration, and no cash payment in lieu of fractional shares as provided in Section 3.05, shall be paid to the holder of any Certificates not surrendered or of any Uncertificated Shares not transferred until such Certificates or Uncertificated Shares are surrendered or transferred, as the case may be, as provided in this Section. Following such surrender or transfer, there shall be paid, without interest, to the Person in whose name the securities of Parent have been registered, (i) at the time of such surrender or transfer, the amount of any cash payable in lieu of fractional shares to which such Person is entitled pursuant to Section 3.05 and the amount of all dividends or other distributions with a record date after the Effective Time previously paid or payable on the date of such surrender with respect to such securities, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time and prior to surrender or transfer and with a payment date subsequent to surrender or transfer payable with respect to such securities.

Section 3.05. *No Fractional Shares of Parent Common Stock.* No fractional shares of Parent Common Stock shall be issued in the Merger. All fractional shares of Parent Common Stock that a holder of shares of Company Common Stock would otherwise be entitled to receive as a result of the Merger shall be aggregated and if a

fractional share results from such aggregation, such holder shall be entitled to receive, in lieu thereof, an amount in cash without interest determined by multiplying the closing sale price of a share of Parent Common Stock on the NYSE on the trading day immediately preceding the date on which the Effective Time occurs by the fraction of a share of Parent Common Stock to which such holder would otherwise have been entitled. As soon as practicable after the determination of the amount of cash to be paid to such former holders of Company Common Stock in lieu of any fractional interests, the Exchange Agent shall notify Parent, and Parent shall ensure that there is deposited with the Exchange Agent and shall cause the Exchange Agent to make available in accordance with this Agreement such amounts to such former holders of Company Common Stock.

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Section 3.06. *Lost Certificates.* If any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such Certificate to be lost, stolen or destroyed and, if required by Parent, the posting by such Person of a bond in such reasonable amount as Parent may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will deliver in exchange for such lost, stolen or destroyed Certificate, the Merger Consideration with respect to the shares of Company Common Stock formerly represented thereby, and unpaid dividends and distributions on shares of Parent Common Stock deliverable in respect thereof pursuant to this Agreement.

Section 3.07. *Withholding Rights.* Parent shall be entitled to deduct and withhold from the consideration otherwise payable pursuant to this Agreement such amounts as it is required to deduct and withhold with respect to the making of such payment under the Code, or any provision of state, local or foreign Tax law. To the extent that amounts are so withheld or paid over to or deposited with the relevant Taxing Authority by or on behalf of Parent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Person in respect of which such deduction and withholding was made by or on behalf of Parent.

Section 3.08. *Further Assurances.* At and after the Effective Time, the officers and directors of Parent and the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of the Surviving Corporation, Merger Sub or the Company, any deeds, bills of sale, assignments or assurances and to take and do, in the name and on behalf of the Surviving Corporation, Merger Sub or the Company, any other actions and things necessary to vest, perfect or confirm of record or otherwise in Parent or the Surviving Corporation any and all right, title and interest in, to and under any of the rights, properties or assets acquired or to be acquired by Parent or the Surviving Corporation, as a result of, or in connection with, the Merger.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES OF PARENT

Except as set forth in the Parent Disclosure Schedule, regardless of whether the relevant Section herein refers to the Parent Disclosure Schedule, Parent represents and warrants to the Company that:

Section 4.01. *Corporate Existence and Power.* (a) Each of Parent and Merger Sub is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and Parent and its Subsidiaries have all corporate, partnership or other similar powers and all governmental licenses, authorizations, permits, consents, franchises, variances, exemptions, orders and approvals required to carry on their business as now conducted (the **Parent Permits**), except for those licenses, authorizations, permits, consents, franchises, variances, exemptions, orders and approvals the absence of which would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Parent and its Subsidiaries are in compliance with the terms of the Parent Permits, except where the failure to so comply, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect. Parent is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Since the date of its incorporation, Merger Sub has not engaged in any activities other than in connection with or as contemplated by this Agreement. Parent has heretofore

delivered or made available to the Company true and complete copies of the articles of incorporation and bylaws of Parent, and the certificate of incorporation and bylaws of Merger Sub, as currently in effect.

(b) As used in this Agreement, the term **Parent Material Adverse Effect** means (i) a material adverse effect on the condition (financial or otherwise), properties, business, results of the operations or prospects of Parent and its Subsidiaries taken as a whole, other than effects caused by changes in general economic or securities markets conditions, changes that affect the businesses in which Parent and its Subsidiaries operate in general and which do not have a materially disproportionate effect on Parent and its Subsidiaries, and changes resulting from the announcement or proposed consummation of this Agreement and the transactions contemplated hereby or (ii) a material impairment of the ability of Parent or Merger Sub to consummate the transactions contemplated in this Agreement.

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Section 4.02. *Corporate Authorization.* (a) The execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation by Parent and Merger Sub of the transactions contemplated hereby are within the corporate powers of Parent and Merger Sub and, except for the Parent Shareholder Approval and the approval of the Merger and the transactions contemplated hereby by Parent as the sole shareholder of Merger Sub, have been duly authorized by all necessary corporate action on the part of Parent. This Agreement has been duly executed and delivered by Parent and Merger Sub and constitutes a valid and binding agreement of Parent and Merger Sub enforceable against Parent and Merger Sub in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). The only votes of the holders of any class or series of capital stock of Parent necessary in connection with the consummation of the Merger and the other transactions contemplated by this Agreement are the affirmative votes (the **Parent Shareholder Transaction Approval**) of (i) the holders of Parent Common Stock and Parent Preferred Stock, voting together as a single class, (A) representing a majority of the votes eligible to be cast by such holders approving the amendment of Parent s articles of incorporation in accordance with Section 7.02(a)(i)(B), (B) representing a majority of the voting power of such shares present and entitled to vote to approve the issuance of Parent Common Stock in connection with the Merger and (C) representing a majority of the voting power of such shares present and entitled to vote to approve the amendment of Parent s bylaws in accordance with Section 7.02(a)(ii) and (ii) the holders of Parent Common Stock, voting separately as a single class, representing a majority of the votes eligible to be cast by such holders approving the amendment of Parent s articles of incorporation to increase the number of authorized shares of Parent Common Stock in connection with the Merger. The affirmative vote (the **Parent Shareholder Charter Approval** and, together with the Parent Shareholder Transaction Approval, the **Parent Shareholder Approval**) of the holders of Parent Common Stock and Parent Preferred Stock, voting together as a single class, representing two-thirds of the votes eligible to be cast by such holders, shall be required to amend Parent s articles of incorporation to eliminate Article V of the articles of incorporation, such that Parent s articles of incorporation shall be in accordance with Section 7.02(a)(i)(A).

(b) At a meeting duly called and held, Parent s Board of Directors has (i) unanimously determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of Parent and its shareholders, (ii) unanimously approved this Agreement and the transactions contemplated hereby and (iii) unanimously resolved (subject to Section 7.05) to recommend that Parent s shareholders grant the Parent Shareholder Approval.

Section 4.03. *Governmental Authorization.* The execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation by Parent and Merger Sub of the transactions contemplated hereby require no action by or in respect of, or filing with, any governmental body, agency, official or authority, domestic, foreign or supranational, or self-regulatory organization or other similar non-governmental regulatory body (each, a **Governmental Authority**), other than (i) the filing of the Certificate of Merger with the Secretary of State of the State of Connecticut and appropriate documents with the relevant authorities of other states in which Parent is qualified to do business, (ii) compliance with any applicable requirements of the HSR Act, (iii) compliance with any applicable requirements of the 1933 Act, the 1934 Act, and any other applicable securities laws, whether state or foreign, (iv) compliance with any applicable requirements of the NYSE, (v) approvals or filings under Insurance Laws as set forth in Section 4.03 of the Parent Disclosure Schedule (vi) consents, approvals and notices to the extent required under the Investment Company Act of 1940 (the **1940 Act**) and the Investment Advisers Act of 1940 (the **Advisers Act**) (such actions and filings

listed in clauses (i) through (vi) above, the **Parent Necessary Consents**) and (vii) any other actions or filings the absence of which would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.04. *Non-Contravention.* Except as set forth in Section 4.04 of the Parent Disclosure Schedule, the execution, delivery and performance by Parent and Merger Sub of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene, conflict with, or result in any violation or breach of any provision of the articles of incorporation or bylaws of Parent or of the

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certificate of incorporation or bylaws of Merger Sub, (ii) assuming compliance with the matters referred to in Section 4.03, contravene, conflict with or result in a violation or breach of any provision of any applicable law, statute, ordinance, rule, regulation, judgment, injunction, order or decree, (iii) require any consent or other action by any Person under, constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, under, or cause or permit the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit to which Parent or any of its Subsidiaries is entitled under any provision of any agreement or other instrument binding upon Parent or any of its Subsidiaries or any license, franchise, permit, certificate, approval or other similar authorization affecting, or relating in any way to, the assets or business of Parent and its Subsidiaries or (iv) result in the creation or imposition of any Lien on any asset of Parent or any of its Subsidiaries, except for such contraventions, conflicts and violations referred to in clause (ii) and for such failures to obtain any such consent or other action, defaults, terminations, cancellations, accelerations, changes, losses or Liens referred to in clauses (iii) and (iv) that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.05. *Capitalization.* (a) The authorized capital stock of Parent consists of (i) 480,000,000 shares of Parent Common Stock; (ii) 1,450,000 shares of Parent Preferred Stock and (iii) 3,550,000 undesignated shares. As of November 12, 2003, (i) 228,292,836 shares of Parent Common Stock were issued and outstanding; (ii) 683,054 shares of Parent Preferred Stock were issued and outstanding; (iii) Parent Stock Options to purchase an aggregate of 21,055,648 shares of Parent Common Stock (of which options to purchase an aggregate of 11,331,273 shares of Parent Common Stock were exercisable) were issued and outstanding; (iv) 2,351,246 shares of Parent Common Stock were reserved for issuance upon conversion of the Parent Convertible Notes; (v) 18,295,315 shares of Parent Common Stock were reserved for issuance pursuant to the purchase contracts forming part of the Parent Equity Units; (vi) 20,500 shares of Parent Common Stock were reserved for issuance under the Deferred Stock Award Plan for International Executives; and (vii) 300,000 shares of Parent Common Stock were reserved under the Parent Deferred Stock Plan for Non-Employee Directors, of which 176,059 shares were outstanding as at November 12, 2003. All outstanding shares of capital stock of Parent have been, and all shares that may be issued pursuant to the Parent Convertible Notes, Parent Equity Units or any equity compensation plan of Parent (a **Parent Stock Plan**) will be, when issued in accordance with the respective terms thereof, duly authorized and validly issued and are (or, in the case of shares that have not yet been issued, will be) fully paid and nonassessable. Except for shares held on behalf of or as fiduciary for third parties, no Parent Subsidiary owns any shares of Parent Common Stock.

(b) Except as set forth in this Section 4.05 or in Section 4.05(b) of the Parent Disclosure Schedule and for changes since November 12, 2003 resulting from the exercise of employee stock options outstanding on such date, there are no outstanding (i) shares of capital stock or voting securities of Parent, (ii) securities of Parent convertible into or exchangeable for shares of capital stock or voting securities of Parent or (iii) options or other rights to acquire from Parent, or other obligation of Parent to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of Parent (the items in clauses (i), (ii), and (iii) being referred to collectively as the **Parent Securities**) other than the Parent Convertible Notes and the Parent Equity Units. Except with respect to the Parent Preferred Stock and the Parent Convertible Notes, there are no outstanding obligations of Parent or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of the Parent Securities.

Section 4.06. *Subsidiaries.* (a) Each Subsidiary of Parent is a corporation or other legal entity duly organized, validly existing and in good standing under the

laws of its jurisdiction of formation. Each such Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. All Significant Subsidiaries of Parent and their respective jurisdictions of formation are identified in the Parent 10-K.

(b) Except as set forth in Section 4.06(b) of the Parent Disclosure Schedule or with respect to the Parent Trust Preferred Securities, all of the outstanding capital stock of, or other voting securities or ownership interests in, each Subsidiary of Parent, is owned by Parent, directly or indirectly, free and clear of

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any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other voting securities or ownership interests). Other than Nuveen employee and director stock options, there are no outstanding (i) securities of Parent or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Subsidiary of Parent or (ii) options or other rights to acquire from Parent or any of its Subsidiaries, or other obligation of Parent or any of its Subsidiaries to issue, any capital stock or other voting securities or ownership interests in, or any securities convertible into or exchangeable for any capital stock or other voting securities or ownership interests in, any Subsidiary of Parent (the items in clauses (i) and (ii) being referred to collectively as the **Parent Subsidiary Securities**). Except with respect to the Parent Trust Preferred Securities, there are no outstanding obligations of Parent or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of Parent Subsidiary Securities.

Section 4.07. *Insurance Subsidiaries.* Parent conducts its insurance operations through the Subsidiaries listed in Section 4.07 of the Parent Disclosure Schedule (collectively, the **Parent Insurance Subsidiaries**). Section 4.07 of the Parent Disclosure Schedule lists the jurisdiction of domicile of each Parent Insurance Subsidiary. Except as set forth in Section 4.07 of the Parent Disclosure Schedule, none of the Parent Insurance Subsidiaries is commercially domiciled in any other jurisdiction. Each of the Parent Insurance Subsidiaries is, where required, (i) duly licensed or authorized as an insurance company and, where applicable, a reinsurer in its jurisdiction of incorporation, (ii) duly licensed or authorized as an insurance company and, where applicable, a reinsurer in each other jurisdiction where it is required to be so licensed or authorized, and (iii) duly authorized in its jurisdiction of incorporation and each other applicable jurisdiction to write each line of business reported as being written in the Parent SAP Statements, except, in each case, where the failure to be so licensed or authorized would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. The business of each of the Parent Insurance Subsidiaries has been and is being conducted in compliance with the terms of all of its licenses, except for such instances of noncompliance which, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect. Except as, individually or in the aggregate, would not reasonably be expected to have a Parent Material Adverse Effect, (i) all of such licenses are in full force and effect, and (ii) there is no proceeding or investigation pending or, to the knowledge of Parent, threatened which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any such license. Parent has made all required filings under applicable insurance holding company statutes except where the failure to file would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.08. *SEC Filings.* (a) Parent has filed all required forms, reports, statements, schedules, registration statements and other documents required to be filed by it with the SEC since January 1, 2002 and has, prior to the date hereof, delivered or made available to the Company (i) Parent s annual reports on Form 10-K for its fiscal years ended December 31, 2000, 2001 and 2002, (ii) its quarterly reports on Form 10-Q for its fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, (iii) its proxy or information statements relating to meetings of, or actions taken without a meeting by, the shareholders of Parent held since December 31, 2002, and (iv) all of its other forms, reports, statements, schedules, registration statements and other documents filed with the SEC since December 31, 2002 (the documents referred to in this Section 4.08(a), collectively with any other forms, reports, statements, schedules, registration statements or other documents filed with the SEC subsequent to the date hereof, the **Parent SEC Documents**).

(b) As of its filing date, each Parent SEC Document complied, and each such Parent SEC Document filed subsequent to the date hereof will comply, as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act, as the case may be.

(c) As of its filing date (or, if amended or superseded by a filing prior to the date hereof, on the date of such filing), each Parent SEC Document filed pursuant to the 1934 Act did not, and each such Parent SEC Document filed subsequent to the date hereof on the date of its filing will not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

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(d) Each Parent SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the 1933 Act, as of the date such registration statement or amendment became effective, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) Each required form, report and document containing financial statements that has been filed with or submitted to the SEC by Parent since July 31, 2002, was accompanied by the certifications required to be filed or submitted by Parent s chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act of 2002 (the **Sarbanes-Oxley Act**) and, at the time of filing or submission of each such certification, such certification was true and accurate and complied with the Sarbanes-Oxley Act.

Section 4.09. *Nuveen SEC Filings.* Except as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect:

(a) Nuveen has filed all required forms, reports, statements, schedules, registration statements and other documents required to be filed by it with the SEC since January 1, 2002 and has, prior to the date hereof, delivered or made available to the Company (i) Nuveen s annual reports on Form 10-K for its fiscal years ended December 31, 2000, 2001 and 2002, (ii) its quarterly reports on Form 10 Q for its fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, (iii) its proxy or information statements relating to meetings of, or actions taken without a meeting by, the shareholders of Nuveen held since December 31, 2002, and (iv) all of its other forms, reports, statements, schedules, registration statements and other documents filed with the SEC since December 31, 2002 (the documents referred to in this Section 4.09(a), collectively with any other forms, reports, statements, schedules, registration statements or other documents filed with the SEC subsequent to the date hereof, the **Nuveen SEC Documents**).

(b) As of its filing date, each Nuveen SEC Document complied, and each such Nuveen SEC Document filed subsequent to the date hereof will comply, as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act, as the case may be.

(c) As of its filing date (or, if amended or superseded by a filing prior to the date hereof, on the date of such filing), each Nuveen SEC Document filed pursuant to the 1934 Act did not, and each such Nuveen SEC Document filed subsequent to the date hereof on the date of its filing will not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(d) Each Nuveen SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the 1933 Act, as of the date such registration statement or amendment became effective, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) Each required form, report and document containing financial statements that has been filed with or submitted to the SEC by Nuveen since July 31, 2002, was accompanied by the certifications required to be filed or submitted by Nuveen s chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act and, at the time of filing or submission of each such certification, such certification was true and accurate and complied with the Sarbanes-Oxley Act.

Section 4.10. *Parent SAP Statements.* As used herein, the term **Parent SAP Statements** means the annual statutory statements and, to the extent applicable, quarterly supplements of each of the Parent Insurance Subsidiaries as filed with the applicable insurance regulatory authorities for the years ended December 31, 2000, 2001 and 2002 and the quarterly periods ended March 31, 2003, June 30, 2003 and September 30, 2003, including all exhibits, interrogatories, notes, schedules and any actuarial opinions, affirmations or certifications or other supporting documents filed in connection therewith or the local equivalents in the applicable jurisdictions (collectively, with any such statement filed subsequent to the date hereof). Parent has delivered or made available to the Company true and complete copies of the Parent SAP Statements filed as of the date of this Agreement with respect to domestic Parent Insurance Subsidiaries that are Significant Subsidiaries. Each of the Parent Insurance Subsidiaries has filed or submitted all Parent SAP Statements required to be filed with or submitted to the appropriate insurance regulatory authorities of the

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jurisdiction in which it is domiciled or commercially domiciled on forms prescribed or permitted by such authority, except for such failures to file that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. The Parent SAP Statements were and will be prepared in conformity with statutory accounting practices (or local equivalents in the applicable jurisdictions) prescribed or permitted by the applicable insurance regulatory authority (**SAP**) consistently applied for the periods covered thereby, were and will be prepared in accordance with the books and records of Parent or the applicable Parent Insurance Subsidiary, as the case may be, and present the statutory financial position of such Parent Insurance Subsidiaries as at the respective dates thereof and the results of operations of such Subsidiaries for the respective periods then ended. The Parent SAP Statements complied, and will comply, in all material respects with all applicable laws, rules and regulations when filed, and no material deficiency has been asserted with respect to any Parent SAP Statements by the applicable insurance regulatory body or any other governmental agency or body. Except as indicated therein, all assets that are reflected on the Parent SAP Statements comply in all material respects with all applicable foreign, federal, state and local statutes and regulations regulating the investments of insurance companies and all applicable Insurance Laws with respect to admitted assets and are in an amount at least equal to the minimum amounts required by Insurance Laws. The annual statutory balance sheets and income statements included in the Parent SAP Statements have been, where required by applicable Insurance Laws, audited by an independent accounting firm of recognized national or international reputation, and Parent has delivered or made available to the Company true and complete copies of all audit opinions related thereto. Parent has delivered or made available to the Company a list of all pending market conduct examinations relating to any domestic Parent Insurance Subsidiary that is a Significant Subsidiary.

Section 4.11. *Financial Statements.* The audited consolidated financial statements and unaudited consolidated interim financial statements of Parent included in the Parent SEC Documents fairly present, in conformity with U.S. generally accepted accounting principles (**GAAP**) applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements).

Section 4.12. *Information Supplied.* The information supplied by Parent for inclusion or incorporation in the registration statement on Form S-4 or any amendment or supplement thereto pursuant to which shares of Parent Common Stock issuable in the Merger will be registered with the SEC (the **Registration Statement**) shall not at the time the Registration Statement is declared effective by the SEC (or, with respect to any post-effective amendment, at the time such post-effective amendment becomes effective) 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 were made, not misleading. The information supplied by Parent for inclusion in the joint proxy statement/prospectus, or any amendment or supplement thereto, to be sent to Parent shareholders and the Company shareholders in connection with the Merger and the other transactions contemplated by this Agreement (the **Joint Proxy Statement**) shall not, on the date the Joint Proxy Statement is first mailed to the shareholders of each of Parent and the Company, at the time of the Parent Shareholder Approval, at the time of the Company Shareholder Approval or at the Effective Time, 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 were made, not misleading.

Section 4.13. *Absence of Certain Changes.* Since the Parent Balance Sheet Date, the business of Parent and its Subsidiaries has been conducted in the ordinary course of business consistent with past practices and, except as set forth in Section 4.13 of the Parent Disclosure Schedule or as disclosed in Parent SEC Documents filed prior to the date hereof, there has not been:

(a) any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect;

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(b) (i) any split, combination, subdivision or reclassification of any shares of capital stock of Parent or its Subsidiaries, (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital stock of Parent or its Subsidiaries (other than (A) dividends from its direct or indirect wholly owned Subsidiaries or by Nuveen, (B) regular quarterly cash dividends paid by Parent on the Parent Common Stock not in excess of $0.29 per share per quarter (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Parent Common Stock), with usual record and payment dates and in accordance with Parent s past dividend policy, (C) one or more special dividends by Parent on the Parent Common Stock of cash or obligations to pay cash in an aggregate amount consistent with Section 7.13, (D) required dividends on the Parent Preferred Stock and (E) required distributions on the Parent Trust Securities or on the Parent Equity Units), or (iii) any repurchase, redemption or other acquisition by Parent or any of its Subsidiaries (other than in the ordinary course of business on behalf of or as fiduciary for third parties) of any outstanding shares of capital stock or other securities of, or other ownership interests in, Parent or any of its Subsidiaries;

(c) any amendment of any material term of any outstanding security of Parent or any of its Subsidiaries;

(d) any incurrence, assumption or guarantee by Parent or any of its Subsidiaries of any indebtedness for borrowed money other than in the ordinary course of business and in amounts and on terms consistent with past practices;

(e) any creation or other incurrence by Parent or any of its Subsidiaries of any Lien on any material asset other than in the ordinary course of business consistent with past practices;

(f) any making of any material loan, advance or capital contributions to or investment in any Person by Parent or any of its Subsidiaries, other than (i) loans, advances or capital contributions to or investments in Parent s wholly owned Subsidiaries or (ii) investment activities in the ordinary course of business consistent with past practices;

(g) any damage, destruction or other casualty loss (whether or not covered by insurance) directly affecting the assets of Parent or any of its Subsidiaries that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect;

(h) any transaction or commitment made, or any contract or agreement entered into, by Parent or any of its Subsidiaries relating to its assets or business (including the acquisition or disposition of any assets) or any relinquishment by Parent or any of its Subsidiaries of any contract or other right, in either case, material to Parent and its Subsidiaries, taken as a whole, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by this Agreement;

(i) any material change in any method of accounting or accounting principles or practice by Parent or any of its Subsidiaries, or any material change in the actuarial, investment, reserving, underwriting or claims administration policies, practices, procedures, methods, assumptions or principles of any Parent Insurance Subsidiary, in each case except (i) as disclosed in the Parent SEC Documents or (ii) for any such change elected or required by reason of a concurrent change in GAAP or Regulation S-X under the 1934 Act or applicable SAP or the local equivalent in the applicable jurisdictions;

(j) other than in the ordinary course of business consistent with past practices, any (i) grant of any severance or termination pay to (or amendment to any existing arrangement with) any director, employee or independent contractor of Parent or any of its Subsidiaries involving any payments in excess of $250,000, (ii) increase by more than $250,000 in the benefits payable under any existing severance or termination pay policies or employment or consultancy agreements, (iii) entering into any employment, consultancy, deferred compensation, severance, retirement or other similar agreement (or any amendment to any such existing agreement) with any director, employee or independent contractor of Parent or any of its Subsidiaries involving any payments in excess of $250,000, (iv) establishment, adoption or amendment (except as required by applicable law) of any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, equity compensation or other benefit plan or arrangement covering any director, employee or independent contractor of Parent or any of its Subsidiaries or (v) increase in compensation,

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bonus or other benefits payable to any director, employee or independent contractor of Parent or any of its Subsidiaries;

(k) any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of Parent or any of its Subsidiaries or any material lockouts, strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees;

(l) any change in Parent s fiscal year or any material Tax election made, changed or revoked, or any method of tax accounting changed, in each case individually or in the aggregate having a material adverse impact on Taxes;

(m) any material addition or any development that would be reasonably likely to result in a material addition to Parent s consolidated reserves for future policy benefits or other policy claims and benefits prior to the date of this Agreement; or

(n) any agreement or commitment to take any action referred to in Section 4.13(a) through Section 4.13(m).

Section 4.14. *No Undisclosed Material Liabilities.* There are no liabilities or obligations of Parent or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances that would reasonably be expected to result in such a liability or obligation, other than:

(a) liabilities or obligations disclosed and provided for in the Parent Balance Sheet or in the notes thereto or in Parent SEC Documents filed prior to the date hereof,

(b) insurance claims litigation arising in the ordinary course of business for which adequate claims reserves have been established, and

(c) liabilities or obligations that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.15. *Compliance with Laws and Court Orders.* (a) Except where the failure to so conduct such business and operations would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect: (i) the business and operations of Parent and Parent Insurance Subsidiaries have been conducted in compliance with all applicable statutes, regulations and rules regulating the business of insurance, whether domestic or foreign, and all applicable orders and directives of Governmental Authorities and market conduct recommendations resulting from market conduct examinations of Governmental Authorities regulating the business of insurance (collectively, **Insurance Laws**) and (ii) the business and operations of Parent and each of its Subsidiaries that acts as an investment adviser under the Advisers Act or as a broker-dealer under the 1934 Act (collectively, the **Parent Asset Management Subsidiaries**) have been conducted in compliance with all applicable statutes, regulations and rules, and all applicable orders and directives of Governmental Authorities regulating the business of, investment advisers and broker-dealers (collectively, **Investment Advisory Laws**). Notwithstanding the generality of the foregoing, except where the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, (i) each Parent Insurance Subsidiary and, to the knowledge of Parent, its agents, have marketed, sold and issued insurance products in compliance, in all material respects, with Insurance Laws applicable to the business of such Parent Insurance Subsidiary and in the respective jurisdictions in which such products have been sold and (ii) each Parent

Asset Management Subsidiary has engaged in the business of acting as an investment adviser or a broker-dealer, as the case may be, in compliance, in all material respects, with Investment Advisory Laws applicable to the business of such Parent Asset Management Subsidiary. In addition, (x) there is no pending or, to the knowledge of Parent, threatened charge by any Governmental Authorities that any Parent Insurance Subsidiary or Parent Asset Management Subsidiary has violated, nor any pending or, to the knowledge of Parent, threatened investigation by any Governmental Authorities with respect to possible violations of, any applicable Insurance Laws or Investment Advisory Laws, as the case may be, where such violations would, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect and (y) the Parent Insurance Subsidiaries and the Parent

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Asset Management Subsidiaries have filed all reports required to be filed with any insurance regulatory authority or investment advisory regulatory authority, as the case may be, on or before the date hereof, except for such failures to file such reports as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Except as required by Insurance Laws of general applicability and the insurance licenses maintained by the Parent Insurance Subsidiaries, there are no written agreements, memoranda of understanding, commitment letters or similar undertakings binding on the Parent Insurance Subsidiaries to which Parent or any of its Insurance Subsidiaries is a party, on one hand, and any Governmental Authority is a party or addressee, on the other hand, or orders or directives by, or supervisory letters from, any Governmental Authority specifically with respect to Parent or any of its Insurance Subsidiaries, which (A) limit the ability of Parent or any of its Insurance Subsidiaries to issue insurance policies, (B) require any investments of Parent or any of its Insurance Subsidiaries to be treated as nonadmitted assets, (C) require any divestiture of any investments of Parent or any of its Insurance Subsidiaries, (D) in any manner impose any requirements on Parent or any of its Insurance Subsidiaries in respect of Risk Based Capital requirements that add to or otherwise modify the Risk Based Capital requirements imposed under applicable laws or (E) in any manner relate to the ability of Parent or any of its Insurance Subsidiaries to pay dividends or otherwise restrict the conduct of business of Parent or any of its Insurance Subsidiaries in any material respect. Except as required by Investment Advisory Laws of general applicability, there are no written agreements, memoranda of understanding, commitment letters or similar undertakings binding on the Parent Asset Management Subsidiaries to which Parent or any Parent Asset Management Subsidiary is a party, on one hand, and any Governmental Authority is a party or addressee, on the other hand, or orders or directives by any Governmental Authority specifically with respect to Parent or, to the knowledge of Parent, any of the Parent Asset Management Subsidiaries, which limit the ability of Parent or any of the Parent Asset Management Subsidiaries to engage in the investment advisory businesses.

(b) Since December 31, 2001, each **Investment Company** (as such term is defined in the 1940 Act) for which Parent or any Parent Asset Management Subsidiary provided investment advisory services that is sponsored by Parent or any Parent Asset Management Subsidiary and/or for which any of them act as a general partner, managing member or in a similar capacity (collectively, the **Proprietary Funds**) has made all required filings and registrations with Governmental Authorities in order to permit each of them to carry on its respective business as currently conducted, and such registrations are in full force and effect, except where the failure to have or make or keep in full force and effect any such registration would not reasonably be expected to have a Parent Material Adverse Effect. Notwithstanding the generality of the foregoing, except where the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, each Investment Company has engaged in its business in compliance, in all material respects, with Laws applicable to the conduct of such business.

(c) None of Parent, the Parent Asset Management Subsidiaries or, to Parent s knowledge, any person associated (as defined under the Advisers Act) with Parent or any of the Parent Asset Management Subsidiaries, has during the five years prior to the date hereof been convicted of any crime or been subject to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the 1934 Act, or for disqualification as an investment adviser for any registered Investment Company pursuant to Section 9(a) of the 1940 Act.

(d) In addition to Insurance Laws and Investment Advisory Laws, Parent and each of its Subsidiaries is and has been in compliance with, and to the knowledge of Parent is not under investigation with respect to, and has not been threatened to be charged with or given notice of any violation of, any applicable federal, state, local or foreign law, statute, ordinance, rule, regulation, judgment, order, injunction, decree, arbitration award, agency requirement, license or permit of any Governmental Authority (collectively with Insurance Laws and Investment Advisory Laws, and including applicable anti-money laundering laws, **Laws**), except for failures to comply or violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

Section 4.16. *Litigation.* Except as set forth in Parent SEC Documents filed prior to the date hereof, there is no action, suit, investigation or proceeding (or any basis therefor) pending against, or, to the

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knowledge of Parent, threatened against or affecting, Parent, any of its Subsidiaries, any present or former officer, director or employee of Parent or any of its Subsidiaries or any Person for whom Parent or any Subsidiary may be liable or any of their respective properties before any court or arbitrator or before or by any governmental body, agency, regulator or official, domestic, foreign or supranational (other than insurance claims litigation arising in the ordinary course for which adequate claims reserves have been established), that, if determined or resolved adversely in accordance with the plaintiff s demands, would, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect or that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the Merger or any of the other transactions contemplated hereby.

Section 4.17. *Insurance Matters.* (a) Except as otherwise would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, all policies, binders, slips, certificates, and other agreements of insurance, in effect as of the date hereof (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) that are issued by the Parent Insurance Subsidiaries and any and all marketing materials, agents agreements, brokers agreements or managing general agents agreements are, to the extent required under applicable law, on forms approved by applicable insurance regulatory authorities or which have been filed and not objected to by such authorities within the period provided for objection, and such forms comply in all material respects with the Insurance Laws applicable thereto and, as to premium rates established by Parent or any Parent Insurance Subsidiary which are required to be filed with or approved by insurance regulatory authorities, the rates have been so filed or approved, the premiums charged conform thereto in all material respects, and such premiums comply in all material respects with the insurance statutes, regulations and rules applicable thereto.

(b) All reinsurance treaties or agreements, including retrocessional agreements, to which Parent or any Parent Insurance Subsidiary is a party or under which Parent or any Parent Insurance Subsidiary has any existing rights, obligations or liabilities are in full force and effect except for such treaties or agreements the failure to be in full force and effect as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect. Neither Parent nor any Parent Insurance Subsidiary, nor, to the knowledge of Parent, any other party to a reinsurance treaty, binder or other agreement to which Parent or any Parent Insurance Subsidiary is a party, is in default in any material respect as to any provision thereof and, except as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, no such agreement contains any provision providing that the other party thereto may terminate such agreement by reason of the transactions contemplated by this Agreement. Parent has not received any notice to the effect that the financial condition of any other party to any such agreement is impaired with the result that a default thereunder may reasonably be anticipated, whether or not such default may be cured by the operation of any offset clause in such agreement. The Parent SAP Statements accurately reflect the extent to which, pursuant to Insurance Laws, Parent and/or the Parent Insurance Subsidiaries are entitled to take credit for reinsurance.

(c) Prior to the date hereof, Parent has delivered or made available to the Company a true and complete copy of all actuarial reports prepared by actuaries, independent or otherwise, with respect to Parent or any Parent Insurance Subsidiary since December 31, 2000, and all attachments, addenda, supplements and modifications thereto (the **Parent Actuarial Analyses**). To the knowledge of Parent, the information and data furnished by Parent or any Parent Insurance Subsidiary to its independent actuaries in connection with the preparation of the Parent Actuarial Analyses were accurate in all material respects. Furthermore, to the knowledge of Parent, each Parent Actuarial Analysis was based upon an accurate

inventory of policies in force for Parent and the Parent Insurance Subsidiaries, as the case may be, at the relevant time of preparation, was prepared using appropriate modeling procedures accurately applied and in conformity with generally accepted actuarial principles consistently applied, and the projections contained therein were properly prepared in accordance with the assumptions stated therein.

Section 4.18. *Liabilities and Reserves.* (a) The reserves carried on the Parent SAP Statements of each Parent Insurance Subsidiary were, as of the respective dates of such Parent SAP Statements, in compliance in all material respects with the requirements for reserves established by the insurance departments of the state of domicile (or local equivalent) of such Parent Insurance Subsidiary, were

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determined in all material respects in accordance with generally accepted actuarial principles consistently applied, were computed on the basis of methodologies consistent in all material respects with those used in prior periods, except as otherwise noted in the Parent SAP Statements, were fairly stated in all material respects in accordance with sound actuarial and statutory accounting principles and were established in accordance, in all material respects, with prudent insurance practices generally followed in the insurance industry. Such reserves make a reasonable provision for loss and loss adjustment exposure liability in the aggregate to cover the total amount of all reasonably anticipated liabilities of Parent and the Parent Insurance Subsidiaries under all outstanding insurance, reinsurance and other applicable agreements as of the respective dates of such Parent SAP Statements. Parent has provided or made available to the Company copies of substantially all work papers used as the basis for establishing the reserves for Parent and the Parent Insurance Subsidiaries at December 31, 2001 and December 31, 2002, respectively.

(b) Except for regular periodic assessments in the ordinary course of business or assessments based on developments which are publicly known within the insurance industry, to the knowledge of Parent, no claim or assessment is pending or threatened against any Parent Insurance Subsidiary which is peculiar or unique to such Parent Insurance Subsidiary by any state insurance guaranty association in connection with such association s fund relating to insolvent insurers, which, if determined adversely would, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.19. *Advisory and Broker-Dealer Matters.*

(a) None of Parent or its Subsidiaries conducts business as a futures commission merchant , commodity trading adviser , or commodity pool operator defined under the Commodity Exchange Act (the **CEA**) or by the Commodity Futures Trading Commission (the **CFTC**) .

(b) Except as listed in Section 4.19 of the Parent Disclosure Schedule, none of Parent or its Subsidiaries conducts business as a broker , dealer or underwriter defined under 1933 Act, 1934 Act, the 1940 Act or the Advisers Act.

(c) Except as listed on Section 4.19 of the Parent Disclosure Schedule, none of Parent or its Subsidiaries conducts business as an investment adviser as defined under the 1940 Act or the Advisers Act, nor is a promoter as defined under the 194 Act of an Investment Company.

Section 4.20. *Finders Fees.* Except for Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co., copies of whose engagement agreements have been provided to the Company, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of Parent or any of its Subsidiaries who might be entitled to any fee or commission from Parent or any of its Affiliates in connection with the transactions contemplated by this Agreement.

Section 4.21. *Opinion of Financial Advisors.* Parent has received the opinion of each of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Goldman, Sachs & Co., financial advisors to Parent, to the effect that, as of the date of this Agreement, the Exchange Ratio is fair to Parent from a financial point of view.

Section 4.22. *Taxes.*

(a) All material Tax Returns required by applicable law to be filed with any Taxing Authority by, or on behalf of, Parent or any of its Subsidiaries have been filed when due in accordance with all applicable laws, and all such Tax Returns are, or shall be at the time of filing, true and complete in all material respects.

(b) Parent and each of its Subsidiaries has paid (or has had paid on its behalf) or has withheld and remitted to the appropriate Taxing Authority all material Taxes due and payable, or, where payment is not yet due, has established (or has had established on its behalf and for its sole benefit and recourse) in accordance with SAP and GAAP an adequate accrual for all material Taxes through the end of the last period for which Parent and its Subsidiaries ordinarily record items on their respective books.

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(c) The federal income Tax Returns of Parent and its Subsidiaries through the Tax year ended December 31, 1993 have been examined and closed or are Returns with respect to which the applicable period for assessment under applicable law, after giving effect to extensions or waivers, has expired.

(d) There is no claim, audit, action, suit, proceeding or investigation now pending or, to Parent s knowledge, threatened against or with respect to Parent or its Subsidiaries in respect of any material Tax or Tax Asset.

(e) During the five-year period ending on the date hereof, neither Parent nor any of its Subsidiaries was a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(f) Parent and each of its Subsidiaries have withheld all material amounts required to have been withheld by them in connection with amounts paid or owed to any employee, independent contractor, creditor, shareholder or any other third party; such withheld amounts were either duly paid to the appropriate Taxing Authority or set aside in accounts for such purpose. Parent and each of its Subsidiaries have reported such withheld amounts to the appropriate Taxing Authority and to each such employee, independent contractor, creditor, shareholder or any other third party, as required under any Law.

(g) **Tax** means (i) any tax, governmental fee or other like assessment or charge of any kind whatsoever (including, but not limited to, withholding on amounts paid to or by any Person), together with any interest, penalty, addition to tax or additional amount imposed by any Governmental Authority (a **Taxing Authority**) responsible for the imposition of any such tax (domestic or foreign), and any liability for any of the foregoing as transferee, (ii) in the case of any Person or any of its Subsidiaries, liability for the payment of any amount of the type described in clause (i) as a result of being or having been before the Effective Time a member of an affiliated, consolidated, combined or unitary group, or a party to any agreement or arrangement, as a result of which liability of such Person or any of its Subsidiaries to a Taxing Authority is determined or taken into account with reference to the activities of any other Person, and (iii) liability of any Person or any of its Subsidiaries for the payment of any amount as a result of being party to any Tax Sharing Agreement or with respect to the payment of any amount imposed on any other Person of the type described in (i) or (ii) as a result of any existing express or implied agreement or arrangement (including, but not limited to, an indemnification agreement or arrangement). **Tax Asset** means any net operating loss, net capital loss, investment tax credit, foreign tax credit, charitable deduction or any other credit or tax attribute that could be carried forward or back to reduce Taxes (including without limitation deductions and credits related to alternative minimum Taxes). **Tax Return** means any report, return, document, declaration or other information or filing required to be supplied to any Taxing Authority with respect to Taxes, including information returns, any documents with respect to or accompanying payments of estimated Taxes, or with respect to or accompanying requests for the extension of time in which to file any such report, return, document, declaration or other information. **Tax Sharing Agreements** means all existing agreements or arrangements (whether or not written) binding Parent or any of its Subsidiaries or the Company or any of its Subsidiaries, as applicable, that provide for the allocation, apportionment, sharing or assignment of any Tax liability or benefit, or the transfer or assignment of income, revenues, receipts or gains for the purpose of determining any Person s Tax liability.

Section 4.23. *Employee Benefit Plans.* (a) Copies of any material Parent Employee Plan and any amendments thereto have been made available to the Company, and copies of, to the extent applicable, any related trust or funding

agreements or insurance policies, amendments thereto, prospectuses or summary plan descriptions relating thereto and the most recent annual report (Form 5500 including, if applicable, Schedule B thereto) and tax return (Form 990) prepared in connection therewith have been made available to the Company or will be made available to the Company as soon as reasonably practicable after the date hereof.

(b) No accumulated funding deficiency, as defined in Section 412 of the Code, has been incurred with respect to any Parent Employee Plan subject to such Section 412, whether or not waived. No reportable event, within the meaning of Section 4043 of ERISA, other than reportable events that would not, individually o in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, and no

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event described in Section 4062 or 4063 of ERISA has occurred in connection with any Parent Employee Plan. Neither Parent nor any of its Subsidiaries nor any of their respective ERISA Affiliates, has (i) engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Sections 4069 or 4212(c) of ERISA or (ii) incurred, or reasonably expects to incur prior to the Effective Time, (A) any liability under Title IV of ERISA arising in connection with the termination of, or a complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA or (B) any liability under Section 4971 of the Code that in either case could become a liability of Parent or any of its Subsidiaries or the Company or any of its ERISA Affiliates after the Effective Time.

(c) Neither Parent nor any of its Subsidiaries nor any of their respective ERISA Affiliates, nor any predecessor thereof, contributes to, or has within the past six years contributed to, any multiemployer plan, as defined in Section 3(37) of ERISA (a **Multiemployer Plan**).

(d) Each Parent Employee Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter, or has pending or has time remaining in which to file, an application for such determination from the Internal Revenue Service, and Parent is not aware of any reason why any such determination letter should be revoked or not be reissued. Parent has made available to the Company copies of the most recent Internal Revenue Service determination letters with respect to each such Parent Employee Plan. Except as set forth in Section 4.23(d) of the Parent Disclosure Schedule, each Parent Employee Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable laws, including but not limited to ERISA and the Code. No events have occurred with respect to any Parent Employee Plan that could result in payment or assessment by or against Parent or any of its Subsidiaries of any material excise taxes under Sections 4972, 4975, 4976, 4977, 4979, 4980B, 4980D, 4980E or 5000 of the Code.

(e) There has been no amendment to, written interpretation or announcement (whether or not written) by Parent or any of its Affiliates relating to, or change in employee participation or coverage under, any Parent Employee Plan which would increase materially the expense of maintaining Parent Employee Plans above the level of the expense incurred in respect thereof for the fiscal year ended December 31, 2002.

(f) There is no action, suit, investigation, audit or proceeding pending against or involving or, to the knowledge of Parent, threatened against or involving, any Parent Employee Plan before any court or arbitrator or any state, federal or local governmental body, agency or official, except as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(g) Copies of any material Parent International Plan and any amendments thereto have been made available to the Company, and copies of, to the extent applicable, any related trust or funding agreements or insurance policies, amendments thereto and regulatory filings or similar documents that have been prepared therewith have been made available to the Company or will be made available to the Company as soon as reasonably practicable after the date hereof. Each Parent International Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable Laws (including any special provisions relating to qualified plans where such Parent International Plan was intended so to qualify) and has been maintained in good standing with applicable regulatory authorities. Except as set forth in Section 4.23(g) of the Parent Disclosure Schedule, there has been no amendment to, written interpretation of or announcement (whether or not written) by Parent or any

of its Subsidiaries relating to, or change in employee participation or coverage under, any Parent International Plan that would increase materially the expense of maintaining Parent International Plans above the level of expense incurred in respect thereof for the fiscal year ended December 31, 2002. With respect to Employee Plans that would otherwise constitute Parent International Plans but for the proviso in the definition of International Plan, Parent and its Subsidiaries have complied in all material respects with their respective obligations thereunder and the requirements prescribed by any and all applicable laws.

(h) Except as set forth in Section 4.23(h) of the Parent Disclosure Schedule, no Parent Employee Plan exists that, as a result of the transactions contemplated by this Agreement (whether alone or in connection with other events), could result in the payment, individually or in the aggregate of a material nature, to any present or former employee, director or independent contractor of Parent or any of its Subsidiaries of any

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money or other property or could result in the acceleration or provision of any other rights or benefits, individually or in the aggregate of a material nature, to any present or former employee, director or independent contractor of Parent or any of its Subsidiaries, whether or not such payment, right or benefit would constitute a parachute payment within the meaning of Section 280G of the Code.

Section 4.24. *Labor Matters.* (a) Except as set forth in Section 4.24(a) of the Parent Disclosure Schedule, neither Parent nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. Furthermore, there are no labor strikes, slowdowns or stoppages actually pending or threatened against or affecting Parent or any of its Subsidiaries, except as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(b) Since the Parent Balance Sheet Date, neither Parent nor any of its Subsidiaries has effectuated (i) a plant closing (as defined in the Worker Adjustmer and Retraining Notification Act (the **Warn Act**)) affecting any site of employment or one or more facilities or operating units within any site of employment or facility of Parent or any of its Subsidiaries; (ii) a mass layoff (as defined in the WARN Act); or (iii) such other transaction, layoff, reduction in force or employment terminations sufficient in number to trigger application of any similar foreign, state or local law that would, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

(c) Parent and its Subsidiaries have complied with all applicable laws relating to the employment of its employees, including those relating to wages, hours, collective bargaining, unemployment compensation, worker s compensation, equal employment opportunity, age and disability discrimination, immigration control, employee classification, payment and withholding of taxes, and continuation coverage with respect to group health plans, except where a failure to so comply would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect.

Section 4.25. *Environmental Matters.* (a) Except as set forth in Parent SEC Documents filed prior to the date hereof or except as would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect:

(i) no notice, notification, demand, request for information, citation, summons or order has been received, no complaint has been filed, no penalty has been assessed, and no investigation, action, claim, suit, proceeding or review (or any basis therefor) is pending or, to the knowledge of Parent, is threatened by any Governmental Authority or other Person relating to or arising out of any Environmental Law;

(ii) Parent and its Subsidiaries are and have been in compliance with all Environmental Laws and all Environmental Permits;

(iii) other than with respect to policies written in connection with the insurance business for which claims reserves have been established, there are no liabilities of or relating to Parent or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise arising under or relating to any Environmental Law and there are no facts, conditions, situations or set of circumstances that could reasonably be expected to result in or be the basis for any such liability; and

(iv) there has been no environmental investigation, study, audit, test, review or other analysis conducted of which Parent has knowledge in relation to the current or prior business of Parent or any of its Subsidiaries (other than with respect to policies written in connection with the insurance business for which claims reserves have been established) or any property or facility now or previously owned or leased by Parent or any of its Subsidiaries that has not been delivered or made available to the Company prior to the date hereof.

(b) For purposes of this Section 4.25, the terms **Parent** and **Subsidiaries** shall include any entity that is, in whole or in part, a predecessor of Parent or any of its Subsidiaries.

Section 4.26. *Intellectual Property.* (a) Parent and/or each of its Subsidiaries owns, or is licensed or otherwise possesses legally enforceable rights to use all patents, trademarks, trade names, service marks,

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copyrights, and any applications therefor, technology, know-how, computer software programs or applications, and proprietary information or materials that are used in the business of Parent and its Subsidiaries as currently conducted, except for any such failures to own, be licensed or possess that would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect, and to the knowledge of Parent, all patents and registered trademarks, trade names, service marks and copyrights owned by Parent and/or its Subsidiaries are valid and subsisting.

(b) Except as disclosed in Parent SEC Documents filed prior to the date hereof or as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect:

(i) Parent is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in violation of any licenses, sublicenses and other agreements as to which Parent is a party and pursuant to which Parent is authorized to use any third-party patents, trademarks, service marks, and copyrights (**Third-Party Intellectual Property Rights**);

(ii) no claims with respect to (I) the patents, registered and material unregistered trademarks and service marks, registered copyrights, trade names, and any applications therefor owned by Parent or any its Subsidiaries (the **Parent Intellectual Property Rights**), (II) any material trade secret owned by Parent or any of its Subsidiaries, or (III) to the knowledge of Parent, Third-Party Intellectual Property Rights licensed to Parent or any of its Subsidiaries, are currently pending or are threatened in writing by any Person;

(iii) to the knowledge of Parent, there are no valid grounds for any bona fide claims (I) to the effect that the sale or licensing of any product as now sold or licensed by Parent or any of its Subsidiaries, infringes on any copyright, patent, trademark, service mark or trade secret of any other Person; (II) against the use by Parent or any of its Subsidiaries of any trademarks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in the business of Parent or any of its Subsidiaries as currently conducted; (III) challenging the ownership or validity of any Parent Intellectual Property Rights or other material trade secret owned by Parent; or (IV) challenging the license or right to use any Third-Party Intellectual Rights by Parent or any of its Subsidiaries; and

(iv) to the knowledge of Parent, there is no unauthorized use, infringement or misappropriation of any of Parent Intellectual Property Rights by any Person, including any employee or former employee of Parent or any of its Subsidiaries.

Section 4.27. *Material Contracts.* All of the material contracts of Parent and its Subsidiaries that are required to be described in the Parent SEC Documents (or to be filed as exhibits thereto) or in the Parent SAP Statements (or to be filed as exhibits thereto) are so described in the Parent SEC Documents or Parent SAP Statements (or filed as exhibits thereto) and are in full force and effect. True and complete copies of all such material contracts have been delivered or have been made available by Parent to the Company. Neither Parent nor any of its Subsidiaries nor, to the knowledge of Parent, any other party is in breach of or in default under any such contract except for such breaches and defaults as have not had and would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. Neither Parent nor any of its Subsidiaries is party to any agreement containing any provision or covenant limiting in any material respect the ability of Parent or any of its Subsidiaries (or, after the consummation of the Merger, the Company or any of its Subsidiaries) to (A) sell any products or services of or to any other Person, (B) engage in any line of business or (C) compete with or

to obtain products or services from any Person or limiting the ability of any Person to provide products or services to Parent or any of its Subsidiaries (or, after the consummation of the Merger, the Company or any of its Subsidiaries).

Section 4.28. *Tax Treatment.* Neither Parent nor any of its Affiliates has taken or agreed to take any action, or is aware of any fact or circumstance, that would prevent the Merger from qualifying as a reorganization within the meaning o Section 368(a) of the Code.

Section 4.29. *Antitakeover Statutes and Rights Plans.* No shareholder rights plan, and no restrictive provision of any fair price, moratorium, control share acquisition or other similar anti-takeover statute

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or regulation (including Sections 302A.671 and 302A.673 of the Minnesota Statutes) or restrictive provision of any applicable anti-takeover provision in the articles of incorporation or bylaws of Parent is, or at the Effective Time will be, applicable to this Agreement or any of the transactions contemplated hereby.

Section 4.30. *Financial Controls.* The management of Parent has (i) designed disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under its supervision, to ensure that material information relating to Parent, including its consolidated Subsidiaries, is made known to the management of Parent by others within those entities, and (ii) has disclosed, based on its most recent evaluation of internal control over financial reporting, to Parent s auditors and the audit committee of Parent s Board of Directors (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Parent s ability to record, process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in Parent s internal control over financial reporting.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in the Company Disclosure Schedule, regardless of whether the relevant Section herein refers to the Company Disclosure Schedule, the Company represents and warrants to Parent that:

Section 5.01. *Corporate Existence and Power.* (a) The Company is a corporation duly incorporated and validly existing under the laws of the State of Connecticut and the Company and its Subsidiaries have all corporate, partnership or other similar powers and all governmental licenses, authorizations, permits, consents, franchises, variances, exemptions, orders and approvals required to carry on their business as now conducted (the **Company Permits**), except for those licenses, authorizations, permits, consents, franchises, variances, exemptions, orders and approvals the absence of which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company and its Subsidiaries are in compliance with the terms of the Company Permits, except where the failure to so comply, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. The Company is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company has heretofore delivered or made available to Parent true and complete copies of the certificate of incorporation and bylaws of the Company as currently in effect.

(b) As used in this Agreement, the term **Company Material Adverse Effect** means (i) a material adverse effect on the condition (financial or otherwise), properties, business, results of the operations or prospects of the Company and its Subsidiaries taken as a whole, other than effects caused by changes in general economic or securities markets conditions, changes that affect the businesses in which the Company and its Subsidiaries operate in general and which do not have a materially disproportionate effect on the Company and its Subsidiaries, and changes resulting from the announcement or proposed consummation of this Agreement and the transactions contemplated hereby or (ii) a material impairment of the ability of the Company to consummate the transactions contemplated in this Agreement.

Section 5.02. *Corporate Authorization.* (a) The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby are within the Company s corporate powers and, except for the Company Shareholder Approval, have been duly authorized by all necessary corporate action on the part of the Company. This Agreement has been duly executed and delivered by the Company and constitutes a valid and binding agreement of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws relating to or affecting creditors generally or by general equity principles (regardless of whether such enforceability is considered in a proceeding in equity or at law). The only votes of the holders of any class or series of capital stock of the

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Company necessary in connection with the consummation of the Merger and the other transactions contemplated by this Agreement are the affirmative vote of (A) the holders of the Company Common Stock representing a majority of the votes eligible to be cast by such holders, (B) the holders of the Company Class A Common Stock representing a majority of the votes eligible to be cast by such holders and (C) the holders of the Company Class B Common Stock representing a majority of the votes eligible to be cast by such holders, in each case approving the Merger and the Agreement (the **Company Shareholder Approval**).

(b) At a meeting duly called and held, the Company s Board of Directors has (i) unanimously determined that this Agreement and the transactions contemplated hereby are fair to and in the best interests of the Company s shareholders, (ii) unanimously approved and adopted this Agreement and the transactions contemplated hereby and (iii) unanimously resolved (subject to Section 7.05) to recommend approval and adoption of this Agreement by its shareholders.

Section 5.03. *Governmental Authorization.* The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the transactions contemplated hereby require no action by or in respect of, or filing with, any Governmental Authority, other than (i) the filing of the Certificate of Merger with the Secretary of State of the State of Connecticut and appropriate documents with the relevant authorities of other states in which the Company is qualified to do business, (ii) compliance with any applicable requirements of the HSR Act, (iii) compliance with any applicable requirements of the 1933 Act, the 1934 Act, and any other applicable securities laws, whether state or foreign, (iv) compliance with any applicable requirements of the NYSE, (v) approvals or filings under Insurance Laws as set forth in Section 5.03 of the Company Disclosure Schedule (such actions and filings listed in clauses (i) through (v) above, the **Company Necessary Consents** and, together with the Parent Necessary Consents, the **Necessary Consents**) and (vi) any other actions or filings the absence of which would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 5.04. *Non-Contravention.* Except as set forth in Section 5.04 of the Company Disclosure Schedule, the execution, delivery and performance by the Company of this Agreement and the consummation of the transactions contemplated hereby do not and will not (i) contravene, conflict with, or result in any violation or breach of any provision of the certificate of incorporation or bylaws of the Company, (ii) assuming compliance with the matters referred to in Section 5.03, contravene, conflict with or result in a violation or breach of any provision of any applicable law, statute, ordinance, rule, regulation, judgment, injunction, order or decree, (iii) require any consent or other action by any Person under, constitute a default, or an event that, with or without notice or lapse of time or both, would constitute a default, under, or cause or permit the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit to which the Company or any of its Subsidiaries is entitled under any provision of any agreement or other instrument binding upon the Company or any of its Subsidiaries or any license, franchise, permit, certificate, approval or other similar authorization affecting, or relating in any way to, the assets or business of the Company and its Subsidiaries or (iv) result in the creation or imposition of any Lien on any asset of the Company or any of its Subsidiaries, except for such contraventions, conflicts and violations referred to in clause (ii) and for such failures to obtain any such consent or other action, defaults, terminations, cancellations, accelerations, changes, losses or Liens referred to in clauses (iii) and (iv) that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 5.05. *Capitalization.* (a) The authorized capital stock of the Company consists of (i) 1,500,000,000 shares of Company Class A Common Stock; (ii) 1,500,000,000 shares of Company Class B Common Stock and (iii) 50,000,000 shares of preferred stock (of which 3,000,000 shares have been designated Series A Junior Participating Preferred Stock). As of October 31, 2003, (i) 505,030,560 shares of Company Class A Common Stock were issued and outstanding; and (ii) 499,859,233 shares of Company Class B Common Stock were issued and outstanding. As of September 30, 2003, (i) Company Stock Options to purchase an aggregate of 71,380,672.33 shares of Company Class A Common Stock (of which options to purchase an aggregate of 39,219,573.23 shares of Company Class A Common Stock were exercisable) were issued and outstanding; (ii) no shares of preferred stock were issued and outstanding; and (iii) 38,584,560 shares of Company Class A Common Stock were reserved for issuance upon conversion of Company Convertible Notes. All outstanding shares of capital stock of the Company have been, and all shares that may

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be issued pursuant to any Company Stock Plan will be, when issued in accordance with the respective terms thereof, duly authorized and validly issued and are (or, in the case of shares that have not yet been issued, will be) fully paid and nonassessable. No Company Subsidiary or Affiliate owns any shares of Company Common Stock.

(b) Except as set forth in this Section 5.05 or in Section 5.05(b) of the Company Disclosure Schedule, the Company Rights and changes since September 30, 2003, resulting from the exercise of employee stock options outstanding on such date, there are no outstanding (i) shares of capital stock or voting securities of the Company, (ii) securities of the Company convertible into or exchangeable for shares of capital stock or voting securities of the Company or (iii) options or other rights to acquire from the Company, or other obligation of the Company to issue, any capital stock, voting securities or securities convertible into or exchangeable for capital stock or voting securities of the Company (the items in clauses (i), (ii), and (iii) being referred to collectively as the **Company Securities**) other than the Company Convertible Notes. There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of the Company Securities.

Section 5.06. *Subsidiaries.* (a) Each Subsidiary of the Company is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of formation. Each such Subsidiary is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where such qualification is necessary, except for those jurisdictions where failure to be so qualified would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. All Significant Subsidiaries of the Company and their respective jurisdictions of formation are identified in the Company 10-K.

(b) Except as set forth in Section 5.06(b) of the Company Disclosure Schedule, all of the outstanding capital stock of, or other voting securities or ownership interests in, each Subsidiary of the Company, is owned by the Company, directly or indirectly, free and clear of any Lien and free of any other limitation or restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other voting securities or ownership interests). Except as set forth in Section 5.06(b) of the Company Disclosure Schedule there are no outstanding (i) securities of the Company or any of its Subsidiaries convertible into or exchangeable for shares of capital stock or other voting securities or ownership interests in any Subsidiary of the Company or (ii) options or other rights to acquire from the Company or any of its Subsidiaries, or other obligation of the Company or any of its Subsidiaries to issue, any capital stock or other voting securities or ownership interests in, or any securities convertible into or exchangeable for any capital stock or other voting securities or ownership interests in, any Subsidiary of the Company (the items in clauses (i) and (ii) being referred to collectively as the **Company Subsidiary Securities**). There are no outstanding obligations of the Company or any of its Subsidiaries to repurchase, redeem or otherwise acquire any of the Company Subsidiary Securities.

Section 5.07. *Insurance Subsidiaries.* The Company conducts its insurance operations through the Subsidiaries listed in Section 5.07 of the Company Disclosure Schedule (collectively, the **Company Insurance Subsidiaries**). Section 5.07 of the Company Disclosure Schedule lists the jurisdiction of domicile of each Company Insurance Subsidiary. Except as set forth in Section 5.07 of the Company Disclosure Schedule, none of the Company Insurance Subsidiaries is commercially domiciled in any other jurisdiction. Each of the Company Insurance Subsidiaries is, where required, (i) duly licensed or authorized as an insurance company and, where applicable, reinsurer in its jurisdiction of incorporation,

(ii) duly licensed or authorized as an insurance company and, where applicable, a reinsurer in each other jurisdiction where it is required to be so licensed or authorized, and (iii) duly authorized in its jurisdiction of incorporation and each other applicable jurisdiction to write each line of business reported as being written in the Company SAP Statements, except, in each case, where the failure to be so licensed or authorized would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The business of each of the Company Insurance Subsidiaries has been and is being conducted in compliance with the terms of all of its licenses, except for such instances of noncompliance which, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect. Except as, individually or in the aggregate, would not reasonably be expected to have a Company Material Adverse Effect, (i) all of such

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licenses are in full force and effect, and (ii) there is no proceeding or investigation pending or, to the knowledge of the Company, threatened which would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any such license. The Company has made all required filings under applicable insurance holding company statutes except where the failure to file would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 5.08. *SEC Filings.* (a) the Company has filed all required forms, reports, statements, schedules, registration statements and other documents required to be filed by it with the SEC since January 1, 2002 and has, prior to the date hereof, delivered or made available to Parent (i) the Company s annual report on Form 10-K for its fiscal year ended December 31, 2002, (ii) its quarterly reports on Form 10-Q for its fiscal quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, (iii) its proxy or information statements relating to meetings of, or actions taken without a meeting by, the shareholders of the Company held since December 31, 2002, and (iv) all of its other forms, reports, statements, schedules, registration statements and other documents filed with the SEC since December 31, 2002 (the documents referred to in this Section 5.08(a) collectively with any other forms, reports, statements, schedules, registration statements or other documents filed with the SEC subsequent to the date hereof, the **Company SEC Documents** .)

(b) As of its filing date, each Company SEC Document complied, and each such Company SEC Document filed subsequent to the date hereof will comply, as to form in all material respects with the applicable requirements of the 1933 Act and the 1934 Act, as the case may be.

(c) As of its filing date (or, if amended or superseded by a filing prior to the date hereof, on the date of such filing), each Company SEC Document filed pursuant to the 1934 Act did not, and each such Company SEC Document filed subsequent to the date hereof on the date of its filing will not, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

(d) Each Company SEC Document that is a registration statement, as amended or supplemented, if applicable, filed pursuant to the 1933 Act, as of the date such registration statement or amendment became effective, did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(e) Each required form, report and document containing financial statements that has been filed with or submitted to the SEC by the Company since July 31, 2002, was accompanied by the certifications required to be filed or submitted by the Company s chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act and, at the time of filing or submission of each such certification, such certification was true and accurate and complied with the Sarbanes-Oxley Act.

Section 5.09. *Company SAP Statements.* As used herein, the term **Company SAP Statements** means the annual statutory statements and, to the extent applicable, quarterly supplements of each of the Company Insurance Subsidiaries as filed with the applicable insurance regulatory authorities for the years ended December 31, 2000, 2001 and 2002 and the quarterly periods ended March 31, 2003, June 30, 2003 and September 30, 2003, including all exhibits, interrogatories, notes, schedules and any actuarial opinions, affirmations or certifications or other supporting documents filed in connection therewith or the

local equivalents in the applicable jurisdictions (collectively, with any such statement filed subsequent to the date hereof.) The Company has delivered or made available to Parent true and complete copies of the Company SAP Statements filed as of the date of this Agreement with respect to domestic Company Insurance Subsidiaries that are Significant Subsidiaries. Each of the Company Insurance Subsidiaries has filed or submitted all Company SAP Statements required to be filed with or submitted to the appropriate insurance regulatory authorities of the jurisdiction in which it is domiciled or commercially domiciled on forms prescribed or permitted by such authority, except for such failures to file that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. The Company SAP Statements were and will be prepared in conformity with SAP consistently applied for the periods covered thereby, were and will be prepared in accordance with the books and records of the Company or the applicable Company Insurance Subsidiary, as the case may be, and present the statutory financial position of such

Company Insurance Subsidiaries as at the respective dates thereof and the results of operations of such Subsidiaries for the respective periods then ended. The Company SAP Statements complied, and will comply, in all material respects with all applicable laws, rules and regulations when filed, and no material deficiency has been asserted with respect to any Company SAP Statements by the applicable insurance regulatory body or any other governmental agency or body. Except as indicated therein, all assets that are reflected on the Company SAP Statements comply in all material respects with all applicable foreign, federal, state and local statutes and regulations regulating the investments of insurance companies and all applicable Insurance Laws with respect to admitted assets and are in an amount at least equal to the minimum amounts required by Insurance Laws. The annual statutory balance sheets and income statements included in the Company SAP Statements have been, where required by applicable Insurance Law, audited by an independent accounting firm of recognized national or international reputation where required under applicable Insurance Laws, and the Company has delivered or made available to Parent true and complete copies of all audit opinions related thereto. The Company has delivered or made available to Parent a list of all pending market conduct examinations relating to any domestic Company Insurance Subsidiary that is a Significant Subsidiary.

Section 5.10. *Financial Statements.* The audited consolidated financial statements and unaudited consolidated interim financial statements of the Company included in the Company SEC Documents fairly present, in conformity with GAAP applied on a consistent basis (except as may be indicated in the notes thereto), the consolidated financial position of the Company and its consolidated Subsidiaries as of the dates thereof and their consolidated results of operations and cash flows for the periods then ended (subject to normal year-end adjustments in the case of any unaudited interim financial statements).

Section 5.11. *Information Supplied.* The information supplied by the Company for inclusion or incorporation in the Registration Statement shall not at the time the Registration Statement is declared effective by the SEC (or, with respect to any post-effective amendment, at the time such post-effective amendment becomes effective) 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 were made, not misleading. The information supplied by the Company for inclusion in the Joint Proxy Statement shall not, on the date the Joint Proxy Statement is first mailed to the shareholders of each of the Company and Parent, at the time of the Parent Shareholder Approval, at the time of the Company Shareholder Approval or at the Effective Time, 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 were made, not misleading.

Section 5.12. *Absence of Certain Changes.* Since the Company Balance Sheet Date, the business of the Company and its Subsidiaries has been conducted in the ordinary course of business consistent with past practices and, except as set forth in Section 5.12 of the Company Disclosure Schedule or as disclosed in the Company SEC Documents filed prior to the date hereof, there has not been:

(a) any event, occurrence, development or state of circumstances or facts that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

(b) (i) any split, combination, subdivision or reclassification of any shares of capital stock of the Company or its Subsidiaries, (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to any shares of capital

stock of the Company or its Subsidiaries (other than (A) dividends from its direct or indirect wholly owned Subsidiaries and (B) regular quarterly cash dividends paid by the Company on the Company Common Stock not in excess of $0.08 per share per quarter (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Company Common Stock), with usual record and payment dates and in accordance with the Company s past dividend policy), or (iii) any repurchase, redemption or other acquisition by the Company or any of its Subsidiaries of any outstanding shares of capital stock or other securities of, or other ownership interests in, the Company or any of its Subsidiaries;

(c) any amendment of any material term of any outstanding security of the Company or any of its Subsidiaries;

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(d) any incurrence, assumption or guarantee by the Company or any of its Subsidiaries of any indebtedness for borrowed money other than in the ordinary course of business and in amounts and on terms consistent with past practices;

(e) any creation or other incurrence by the Company or any of its Subsidiaries of any Lien on any material asset other than in the ordinary course of business consistent with past practices;

(f) any making of any material loan, advance or capital contributions to or investment in any Person by the Company or any of its Subsidiaries, other than (i) loans, advances or capital contributions to or investments in the Company s wholly owned Subsidiaries or (ii) investment activities in the ordinary course of business consistent with past practices;

(g) any damage, destruction or other casualty loss (whether or not covered by insurance) directly affecting the assets of the Company or any of its Subsidiaries that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect;

(h) any transaction or commitment made, or any contract or agreement entered into, by the Company or any of its Subsidiaries relating to its assets or business (including the acquisition or disposition of any assets) or any relinquishment by the Company or any of its Subsidiaries of any contract or other right, in either case, material to the Company and its Subsidiaries, taken as a whole, other than transactions and commitments in the ordinary course of business consistent with past practices and those contemplated by this Agreement;

(i) any material change in any method of accounting or accounting principles or practice by the Company or any of its Subsidiaries, or any material change in the actuarial, investment, reserving, underwriting or claims administration policies, practices, procedures, methods, assumptions or principles of any Company Insurance Subsidiary, in each case except (i) as disclosed in the Company SEC Documents or (ii) for any such election or change required by reason of a concurrent change in GAAP or Regulation S-X under the 1934 Act or applicable SAP or the local equivalent in the applicable jurisdictions;

(j) other than in the ordinary course of business consistent with past practices any (i) grant of any severance or termination pay to (or amendment to any existing arrangement with) any director, employee or independent contractor of the Company or any of its Subsidiaries involving any payments in excess of $250,000, (ii) increase by more than $250,000 in the benefits payable under any existing severance or termination pay policies or employment or consultancy agreements, (iii) entering into of any employment, consultancy, deferred compensation, severance, retirement or other similar agreement (or any amendment to any such existing agreement) with any director, employee or independent contractor of the Company or any of its Subsidiaries involving any payments in excess of $250,000, (iv) establishment, adoption or amendment (except as required by applicable law) of any collective bargaining, bonus, profit-sharing, thrift, pension, retirement, deferred compensation, compensation, equity compensation or other benefit plan or arrangement covering any director, employee or independent contractor of the Company or any of its Subsidiaries or (v) increase in compensation, bonus or other benefits payable to any director, employee or independent contractor of the Company or any of its Subsidiaries;

(k) any material labor dispute, other than routine individual grievances, or any activity or proceeding by a labor union or representative thereof to organize any employees of the Company or any of its Subsidiaries or any material lockouts,

strikes, slowdowns, work stoppages or threats thereof by or with respect to such employees;

(l) any change in the Company s fiscal year or any material Tax election made, changed or revoked, or any method of tax accounting changed, in each case individually or in the aggregate having a material adverse impact on Taxes;

(m) any material addition or any development that would be reasonably likely to result in a material addition to the Company s consolidated reserves for future policy benefits or other policy claims and benefits prior to the date of this Agreement; or

(n) any agreement or commitment to take any action referred to in Section 5.12(a) through Section 5.12(m).

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Section 5.13. *No Undisclosed Material Liabilities.* There are no liabilities or obligations of the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, and there is no existing condition, situation or set of circumstances that would reasonably be expected to result in such a liability or obligation, other than:

(a) liabilities or obligations disclosed and provided for in the Company Balance Sheet or in the notes thereto or in the Company SEC Documents filed prior to the date hereof,

(b) insurance claims litigation arising in the ordinary course of business for which adequate claims reserves have been established, and

(c) liabilities or obligations that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 5.14. *Compliance with Laws and Court Orders.* (a) The business and operations of the Company and the Company Insurance Subsidiaries have been conducted in compliance with all applicable Insurance Laws, except where the failure to so conduct such business and operations would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Notwithstanding the generality of the foregoing, except where the failure to do so would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, each Company Insurance Subsidiary and, to the knowledge of the Company, its agents, have marketed, sold and issued insurance products in compliance, in all material respects, with Insurance Laws applicable to the business of such Company Insurance Subsidiary and in the respective jurisdictions in which such products have been sold. In addition, (x) there is no pending or, to the knowledge of the Company, threatened charge by any Governmental Authorities that any of the Company Insurance Subsidiaries has violated, nor any pending or, to the knowledge of the Company, threatened investigation by any Governmental Authorities with respect to possible violations of, any applicable Insurance Laws where such violations would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect; and (y) the Company Insurance Subsidiaries have filed all reports required to be filed with any insurance regulatory authority on or before the date hereof as to which the failure to file such reports would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Except as required by Insurance Laws of general applicability and the insurance licenses maintained by the Company Insurance Subsidiaries, or disclosed on Section 5.14(a) of the Company Disclosure Schedule there are no written agreements, memoranda of understanding, commitment letters or similar undertakings binding on the Company Insurance Subsidiaries to which the Company or any of its Subsidiaries is a party, on one hand, and any Governmental Authority is a party or addressee, on the other hand, or orders or directives by, or supervisory letters from, any Governmental Authority specifically with respect to the Company or any of its Subsidiaries, which (A) limit the ability of the Company or any of its Insurance Subsidiaries to issue insurance policies, (B) require any investments of the Company or any of its Insurance Subsidiaries to be treated as nonadmitted assets, (C) require any divestiture of any investments of the Company or any of its Insurance Subsidiaries, (D) in any manner impose any requirements on the Company or any of its Insurance Subsidiaries in respect of Risk Based Capital requirements that add to or otherwise modify the Risk Based Capital requirements imposed under applicable laws or (E) in any manner relate to the ability of the Company or any of its Insurance Subsidiaries to pay dividends or otherwise restrict the conduct of business of the Company or any of its Insurance Subsidiaries in any material respect.

(b) None of the Company, its Subsidiaries or, to the Company s knowledge, any person associated (as defined under the Advisers Act) with the Company or any of the Company s Subsidiaries, has during the five years prior to the date hereof been convicted of any crime or been subject to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder or of a broker-dealer under Section 15 of the 1934 Act, or for disqualification as an investment adviser for any registered Investment Company pursuant to Section 9(a) of the 1940 Act.

(c) In addition to Insurance Laws, the Company and each of its Subsidiaries is and has been in compliance with, and to the knowledge of the Company is not under investigation with respect to, and has not

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been threatened to be charged with or given notice of any violation of, any applicable Laws, except for failures to comply or violations that have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

Section 5.15. *Litigation.* Except as set forth in the Company SEC Documents filed prior to the date hereof, there is no action, suit, investigation or proceeding (or any basis therefor) pending against, or, to the knowledge of the Company, threatened against or affecting, the Company, any of its Subsidiaries, any present or former officer, director or employee of the Company or any of its Subsidiaries or any Person for whom the Company or any Subsidiary may be liable or any of their respective properties before any court or arbitrator or before or by any governmental body, agency, regulator or official, domestic, foreign or supranational (other than insurance claims litigation arising in the ordinary course for which adequate claims reserves have been established), that, if determined or resolved adversely in accordance with the plaintiff s demands, would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or that in any manner challenges or seeks to prevent, enjoin, alter or materially delay the Merger or any of the other transactions contemplated hereby.

Section 5.16. *Insurance Matters.* (a) Except as otherwise would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, all policies, binders, slips, certificates, and other agreements of insurance, in effect as of the date hereof (including all applications, supplements, endorsements, riders and ancillary agreements in connection therewith) that are issued by the Company Insurance Subsidiaries and any and all marketing materials, agents agreements, brokers agreements or managing general agents agreements are, to the extent required under applicable law, on forms approved by applicable insurance regulatory authorities or which have been filed and not objected to by such authorities within the period provided for objection, and such forms comply in all material respects with the Insurance Laws applicable thereto and, as to premium rates established by the Company or any Company Insurance Subsidiary which are required to be filed with or approved by insurance regulatory authorities, the rates have been so filed or approved, the premiums charged conform thereto in all material respects, and such premiums comply in all material respects with the insurance statutes, regulations and rules applicable thereto.

(b) All reinsurance treaties or agreements, including retrocessional agreements, to which the Company or any Company Insurance Subsidiary is a party or under which the Company or any Company Insurance Subsidiary has any existing rights, obligations or liabilities are in full force and effect except for such treaties or agreements the failure to be in full force and effect as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect. Neither the Company nor any Company Insurance Subsidiary, nor, to the knowledge of the Company, any other party to a reinsurance treaty, binder or other agreement to which the Company or any Company Insurance Subsidiary is a party, is in default in any material respect as to any provision thereof and, except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, no such agreement contains any provision providing that the other party thereto may terminate such agreement by reason of the transactions contemplated by this Agreement. The Company has not received any notice to the effect that the financial condition of any other party to any such agreement is impaired with the result that a default thereunder may reasonably be anticipated, whether or not such default may be cured by the operation of any offset clause in such agreement. The Company SAP Statements accurately reflect the extent to which, pursuant to Insurance Laws, the Company and/or the Company Insurance Subsidiaries are entitled to take credit for reinsurance.

(c) Prior to the date hereof, the Company has delivered or made available to Parent a true and complete copy of all actuarial reports prepared by actuaries, independent or otherwise, with respect to the Company or any Company Insurance Subsidiary since December 31, 2000, and all attachments, addenda, supplements and modifications thereto (the **Company Actuarial Analyses**). To the knowledge of the Company, any information and data furnished by the Company or any Company Insurance Subsidiary to independent actuaries in connection with the preparation of the Company Actuarial Analyses were accurate in all material respects. Furthermore, to the knowledge of the Company, each Company Actuarial Analysis was based upon an accurate inventory of policies in force for the Company and the Company Insurance Subsidiaries, as the case may be, at the relevant time of preparation, was prepared using appropriate modeling procedures

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accurately applied and in conformity with generally accepted actuarial principles consistently applied, and the projections contained therein were properly prepared in accordance with the assumptions stated therein.

Section 5.17. *Liabilities and Reserves.* (a) The reserves carried on the Company SAP Statements of each Company Insurance Subsidiary were, as of the respective dates of such Company SAP Statements, in compliance in all material respects with the requirements for reserves established by the insurance departments of the state of domicile (or local equivalent) of such Company Insurance Subsidiary, were determined in all material respects in accordance with generally accepted actuarial principles consistently applied, were computed on the basis of methodologies consistent in all material respects with those used in prior periods, except as otherwise noted in the Company SAP Statements, were fairly stated in all material respects in accordance with sound actuarial and statutory accounting principles and were established in accordance, in all material respects, with prudent insurance practices generally followed in the insurance industry. Such reserves make a reasonable provision for loss and loss adjustment exposure liability in the aggregate to cover the total amount of all reasonably anticipated liabilities of the Company and the Company Insurance Subsidiaries under all outstanding insurance, reinsurance and other applicable agreements as of the respective dates of such Company SAP Statements. The Company has provided or made available to Parent copies of substantially all work papers used as the basis for establishing the reserves for the Company and the Company Insurance Subsidiaries at December 31, 2001 and December 31, 2002, respectively.

(b) Except for regular periodic assessments in the ordinary course of business or assessments based on developments which are publicly known within the insurance industry, to the knowledge of the Company, no claim or assessment is pending or threatened against any Company Insurance Subsidiary which is peculiar or unique to such Company Insurance Subsidiary by any state insurance guaranty association in connection with such association s fund relating to insolvent insurers, which, if determined adversely would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

Section 5.18. *Advisory and Broker-Dealer Matters.* (a) None of the Company or its Subsidiaries conducts business as a futures commission merchant , commodi trading adviser , or commodity pool operator as defined under the CEA or by the CFTC.

(b) None of the Company or its Subsidiaries conducts business as a broker , dealer or underwriter as defined under the 1933 Act, 1934 Act, the 1940 Act or Advisers.

(c) None of the Company or its Subsidiaries conducts business as an investment adviser as defined under the 1940 Act or the Advisers Act, nor is a promoter as defined under the 1940 Act of an Investment Company.

Section 5.19. *Finders Fees.* Except for Citigroup Global Markets Inc. and Lehman Brothers Inc., copies of whose engagement agreements have been provided to Parent, there is no investment banker, broker, finder or other intermediary that has been retained by or is authorized to act on behalf of the Company or any of its Subsidiaries who might be entitled to any fee or commission from the Company or any of its Affiliates in connection with the transactions contemplated by this Agreement.

Section 5.20. *Opinions of Financial Advisors.* The Board of Directors of the Company has received the opinion of each of Citigroup Global Markets Inc. and

Lehman Brothers Inc., financial advisors to the Company, to the effect that, as of the date of this Agreement, the Exchange Ratio is fair, from a financial point of view, to the holders of the Company Common Stock.

Section 5.21. *Taxes.* Except as set forth in Section 5.21 of the Company Disclosure Schedule:

(a) All material Tax Returns required by applicable law to be filed with any Taxing Authority by, or on behalf of, the Company or any of its Subsidiaries have been filed when due in accordance with all applicable laws, and all such Tax Returns are, or shall be at the time of filing, true and complete in all material respects.

(b) The Company and each of its Subsidiaries has paid (or has had paid on its behalf) or has withheld and remitted to the appropriate Taxing Authority all material Taxes due and payable, or, where payment is not yet due, has established (or has had established on its behalf and for its sole benefit and recourse) in

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accordance with SAP and GAAP an adequate accrual for all material Taxes through the end of the last period for which the Company and its Subsidiaries ordinarily record items on their respective books.

(c) The federal income Tax Returns of the Company and its Subsidiaries through the Tax year ended December 31, 1996 have been examined and closed or are Returns with respect to which the applicable period for assessment under applicable law, after giving effect to extensions or waivers, has expired.

(d) There is no claim, audit, action, suit, proceeding or investigation now pending or, to the Company s knowledge, threatened against or with respect to the Company or its Subsidiaries in respect of any material Tax or Tax Asset.

(e) During the five-year period ending on the date hereof, neither the Company nor any of its Subsidiaries was a distributing corporation or a controlled corporation in a transaction intended to be governed by Section 355 of the Code.

(f) The Company and each of its Subsidiaries have withheld all material amounts required to have been withheld by them in connection with amounts paid or owed to any employee, independent contractor, creditor, shareholder or any other third party; such withheld amounts were either duly paid to the appropriate Taxing Authority or set aside in accounts for such purpose. The Company and each of its Subsidiaries have reported such withheld amounts to the appropriate Taxing Authority and to each such employee, independent contractor, creditor, shareholder or any other third party, as required under any Law.

Section 5.22. *Employee Benefit Plans.* (a) Copies of any material Company Employee Plan and any amendments thereto have been made available to Parent, and copies of, to the extent applicable, any related trust or funding agreements or insurance policies, amendments thereto, prospectuses or summary plan descriptions relating thereto and the most recent annual report (Form 5500 including, if applicable, Schedule B thereto) and tax return (Form 990) prepared in connection therewith have been made available to Parent or will be made available to Parent as soon as reasonably practicable after the date hereof.

(b) No accumulated funding deficiency, as defined in Section 412 of the Code, has been incurred with respect to any Company Employee Plan subject to such Section 412, whether or not waived. No reportable event, within the meaning of Section 4043 of ERISA, other than reportable events that would not, individually o in the aggregate, reasonably be expected to have a Company Material Adverse Effect, and no event described in Section 4062 or 4063 of ERISA has occurred in connection with any Company Employee Plan. Neither the Company nor any of its Subsidiaries nor any of their respective ERISA Affiliates has (i) engaged in, or is a successor or parent corporation to an entity that has engaged in, a transaction described in Sections 4069 or 4212(c) of ERISA or (ii) incurred, or reasonably expects to incur prior to the Effective Time, (A) any liability under Title IV of ERISA arising in connection with the termination of, or a complete or partial withdrawal from, any plan covered or previously covered by Title IV of ERISA or (B) any liability under Section 4971 of the Code that in either case could become a liability of the Company or any of its Subsidiaries or Parent or any of its ERISA Affiliates after the Effective Time.

(c) Neither the Company nor any of its Subsidiaries nor any of their respective ERISA Affiliates, nor any predecessor thereof, contributes to, or has within the past six years contributed to, any Multiemployer Plan.

(d) Each Company Employee Plan which is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter, or has pending or has time remaining in which to file, an application for such determination from the Internal Revenue Service, and the Company is not aware of any reason why any such determination letter should be revoked or not be reissued. The Company has made available to Parent copies of the most recent Internal Revenue Service determination letters with respect to each such Company Employee Plan. Each Company Employee Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable laws, including but not limited to ERISA and the Code. No events have occurred with respect to any Company Employee Plan that could result in payment or assessment by or against the Company or any of its Subsidiaries of any material excise taxes under Sections 4972, 4975, 4976, 4977, 4979, 4980B, 4980D, 4980E or 5000 of the Code.

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(e) There has been no amendment to, written interpretation or announcement (whether or not written) by the Company or any of its Affiliates relating to, or change in employee participation or coverage under, any Company Employee Plan which would increase materially the expense of maintaining Company Employee Plans above the level of the expense incurred in respect thereof for the fiscal year ended December 31, 2002.

(f) There is no action, suit, investigation, audit or proceeding pending against or involving or, to the knowledge of the Company, threatened against or involving, any Company Employee Plan before any court or arbitrator or any state, federal or local governmental body, agency or official, except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(g) Copies of any material Company International Plan and any amendments thereto have been made available to Parent, and copies of, to the extent applicable, any related trust or funding agreements or insurance policies, amendments thereto and regulatory filings or similar documents that have been prepared therewith have been made available to Parent or will be made available to Parent as soon as reasonably practicable after the date hereof. Each Company International Plan has been maintained in material compliance with its terms and with the requirements prescribed by any and all applicable laws (including any special provisions relating to qualified plans where such Company International Plan was intended so to qualify) and has been maintained in good standing with applicable regulatory authorities. There has been no amendment to, written interpretation of or announcement (whether or not written) by the Company or any of its Subsidiaries relating to, or change in employee participation or coverage under, any Company International Plan that would increase materially the expense of maintaining Company International Plans above the level of expense incurred in respect thereof for the fiscal year ended December 31, 2002. With respect to Employee Plans that would otherwise constitute Company International Plans but for the proviso in the definition of International Plan, the Company and its Subsidiaries have complied in all material respects with their respective obligations thereunder and the requirements prescribed by any and all applicable laws.

(h) Except as set forth in Section 5.22(h) of the Company Disclosure Schedule, no Company Employee Plan exists that, as a result of the transactions contemplated by this Agreement (whether alone or in connection with other events), could result in the payment, individually or in the aggregate of a material nature, to any present or former employee, director or independent contractor of the Company or any of its Subsidiaries of any money or other property or could result in the acceleration or provision of any other rights or benefits, individually or in the aggregate of a material nature, to any present or former employee, director or independent contractor of the Company or any of its Subsidiaries, whether or not such payment, right or benefit would constitute a parachute payment within the meaning of Section 280G of the Code.

Section 5.23. *Labor Matters.* (a) Neither the Company nor any of its Subsidiaries is a party to or otherwise bound by any collective bargaining agreement, contract or other agreement or understanding with a labor union or labor organization. Furthermore, there are no labor strikes, slowdowns or stoppages actually pending or threatened against or affecting the Company or any of its Subsidiaries, except as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(b) Since the Company Balance Sheet Date, neither the Company nor any of its Subsidiaries has effectuated (i) a plant closing affecting any site of employment or one or more facilities or operating units within any site of employment or facility of

the Company or any of its Subsidiaries; (ii) a mass layoff; or (iii) such other transaction, layoff, reduction in force or employment terminations sufficient in number to trigger application of any similar foreign, state or local law that would, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

(c) The Company and its Subsidiaries have complied with all applicable laws relating to the employment of its employees, including those relating to wages, hours, collective bargaining, unemployment compensation, worker s compensation, equal employment opportunity, age and disability discrimination, immigration control, employee classification, payment and withholding of taxes, and continuation coverage with respect to group health plans, except where a failure to so comply would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect.

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Section 5.24. *Environmental Matters.* (a) Except as set forth in the Company SEC Documents filed prior to the date hereof or except as would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect:

(i) no notice, notification, demand, request for information, citation, summons or order has been received, no complaint has been filed, no penalty has been assessed, and no investigation, action, claim, suit, proceeding or review (or any basis therefor) is pending or, to the knowledge of the Company, is threatened by any Governmental Authority or other Person relating to or arising out of any Environmental Law;

(ii) the Company and its Subsidiaries are and have been in compliance with all Environmental Laws and all Environmental Permits;

(iii) other than with respect to policies written in connection with the insurance business for which claims reserves have been established, there are no liabilities of or relating to the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise arising under or relating to any Environmental Law and there are no facts, conditions, situations or set of circumstances that could reasonably be expected to result in or be the basis for any such liability; and

(iv) there has been no environmental investigation, study, audit, test, review or other analysis conducted of which the Company has knowledge in relation to the current or prior business of the Company or any of its Subsidiaries (other than with respect to policies written in connection with the insurance business for which claims reserves have been established) or any property or facility now or previously owned or leased by the Company or any of its Subsidiaries that has not been delivered or made available to Parent prior to the date hereof.

(b) For purposes of this Section 5.24, the terms **the Company** and **Subsidiaries** shall include any entity that is, in whole or in part, a predecessor of the Company or any of its Subsidiaries.

Section 5.25. *Intellectual Property.* (a) the Company and/or each of its Subsidiaries owns, or is licensed or otherwise possesses legally enforceable rights to use all patents, trademarks, trade names, service marks, copyrights, and any applications therefor, technology, know-how, computer software programs or applications, and proprietary information or materials that are used in the business of the Company and its Subsidiaries as currently conducted, except for any such failures to own, be licensed or possess that would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect, and to the knowledge of the Company, all patents and registered trademarks, trade names, service marks and copyrights owned by the Company and/or its Subsidiaries are valid and subsisting.

(b) Except as disclosed in the Company SEC Documents filed prior to the date hereof or as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect:

(i) the Company is not, nor will it be as a result of the execution and delivery of this Agreement or the performance of its obligations hereunder, in violation of any Third-Party Intellectual Property Rights;

(ii) no claims with respect to (I) the patents, registered and material unregistered trademarks and service marks, registered copyrights, trade names,

and any applications therefor owned by the Company or any its Subsidiaries (the **Company Intellectual Property Rights**), (II) any material trade secret owned by the Company or any of its Subsidiaries, or (III) to the knowledge of Parent, Third-Party Intellectual Property Rights licensed to Parent or any of its Subsidiaries, are currently pending or are threatened in writing by any Person;

(iii) to the knowledge of the Company, there are no valid grounds for any bona fide claims (I) to the effect that the sale or licensing of any product as now sold or licensed by the Company or any of its Subsidiaries, infringes on any copyright, patent, trademark, service mark or trade secret of any other Person; (II) against the use by the Company or any of its Subsidiaries of any trademarks, trade names, trade secrets, copyrights, patents, technology, know-how or computer software programs and applications used in the business of the Company or any of its Subsidiaries as currently conducted; (III) challenging

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the ownership or validity of any of the Company Intellectual Property Rights or other material trade secret owned by the Company; or (IV) challenging the license or right to use any Third-Party Intellectual Rights by the Company or any of its Subsidiaries; and

(iv) to the knowledge of the Company, there is no unauthorized use, infringement or misappropriation of any of the Company Intellectual Property Rights by any Person, including any employee or former employee of the Company or any of its Subsidiaries.

Section 5.26. *Material Contracts.* All of the material contracts of the Company and its Subsidiaries that are required to be described in the Company SEC Documents (or to be filed as exhibits thereto) or in the Company SAP Statements (or to be filed as exhibits thereto) are so described in the Company SEC Documents or the Company SAP Statements (or filed as exhibits thereto) and are in full force and effect. True and complete copies of all such material contracts have been delivered or have been made available by the Company to Parent. Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any other party is in breach of or in default under any such contract except for such breaches and defaults as have not had and would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Neither the Company nor any of its Subsidiaries is party to any agreement containing any provision or covenant limiting in any material respect the ability of the Company or any of its Subsidiaries (or, after the consummation of the Merger, Parent or any of its Subsidiaries) to (A) sell any products or services of or to any other Person, (B) engage in any line of business or (C) compete with or to obtain products or services from any Person or limiting the ability of any Person to provide products or services to the Company or any of its Subsidiaries (or, after the consummation of the Merger, Parent or any of its Subsidiaries).

Section 5.27. *Tax Treatment.* Neither the Company nor any of its Affiliates has taken or agreed to take any action, or is aware of any fact or circumstance, that would prevent the Merger from qualifying as a reorganization within the meaning o Section 368(a) of the Code.

Section 5.28. *Antitakeover Statutes and Rights Plans.* (a) No restrictive provision of any fair price, moratorium, control share acquisition or other sim anti-takeover statute or regulation (including Sections 33-841 and 33-844 of the CBCA) or restrictive provision of any applicable anti-takeover provision in the charter or bylaws of the Company is, or at the Effective Time will be, applicable to this Agreement or any of the transactions contemplated hereby.

(b) the Company has taken all actions necessary to render the rights (the **Company Rights**) issued pursuant to the terms of the Rights Agreement dated March 21, 2002 between the Company and EquiServe Trust Company, N.A., as rights agent (the **Company Rights Agreement**), inapplicable to this Agreement and to the transactions contemplated hereby.

Section 5.29. *Financial Controls.* The management of the Company has (i) designed disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under its supervision, to ensure that material information relating to the Company, including its consolidated Subsidiaries, is made known to the management of the Company by others within those entities, and (ii) has disclosed, based on its most recent evaluation of internal control over financial reporting, to the Company s auditors and the audit committee of the Company s Board of Directors (A) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company s ability to record,

process, summarize and report financial information and (B) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company s internal control over financial reporting.

ARTICLE 6

INTERIM OPERATIONS COVENANTS

Section 6.01. *Interim Operations of Parent.* From the date hereof until the Effective Time, Parent and its Subsidiaries shall conduct their business in the ordinary course consistent with past practices and shall use

all reasonable efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, and except (i) to the extent that the Company shall otherwise agree in writing, (ii) as expressly contemplated in this Agreement or (iii) as set forth in Section 6.01 of the Parent Disclosure Schedule, from the date hereof until the Effective Time:

(a) Parent shall not adopt or propose any change to its articles of incorporation or bylaws;

(b) Parent shall not, and shall not permit any of its Subsidiaries to, adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of Parent or any of its Subsidiaries (other than a liquidation or dissolution of a wholly owned Subsidiary of Parent (or of Nuveen) or a merger or consolidation between wholly owned Subsidiaries of Parent (or of Nuveen) or of any wholly owned Subsidiary into Parent or of any wholly owned Subsidiary of Nuveen into Nuveen);

(c) Parent shall not, and shall not permit any of its Subsidiaries to make any equity investment in or acquisition of any Person or any amount of assets material to Parent and its Subsidiaries on a consolidated basis, except for (i) capital expenditures permitted by Section 6.01(h), (ii) equity investments in or capital contributions to any wholly owned Subsidiary of Parent or (iii) investment activities in the ordinary course of business consistent with past practices; provided that the consent of the Company with respect to any action otherwise prohibited by this Section 6.01(c) shall not be unreasonably withheld or delayed;

(d) Parent shall not, and shall not permit any of its Subsidiaries to, sell, lease, license or otherwise dispose of any assets material to Parent and its Subsidiaries on a consolidated basis, except (i) in the ordinary course of business consistent with past practices or (ii) pursuant to existing contracts or commitments; provided that the consent of the Company with respect to any action otherwise prohibited by this Section 6.01(d) shall not be unreasonably withheld or delayed;

(e) Parent shall not, and shall not permit any of its Subsidiaries to, (i) split, combine, subdivide or reclassify any shares of capital stock of Parent or its Subsidiaries or (ii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock (other than, with respect to clause (ii), (A) dividends from its direct or indirect wholly owned Subsidiaries or by Nuveen, (B) regular quarterly cash dividends paid by Parent on the Parent Common Stock not in excess of $0.29 per share per quarter (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Parent Common Stock), with usual record and payment dates and in accordance with Parent s past dividend policy, (C) one or more special dividends by Parent on the Parent Common Stock of cash or obligations to pay cash in an aggregate amount consistent with Section 7.13, (D) required dividends on the Parent Preferred Stock or (E) required distributions on the Parent Trust Securities or on the Parent Equity Units);

(f) Parent shall not, and shall not permit any of its Subsidiaries to, (x) issue, sell, transfer, pledge or dispose of any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class or series of Parent or its Subsidiaries (other than (i) (A) issuances pursuant to the exercise of the Parent Convertible Notes, (B) issuances pursuant to the terms of the Parent Equity Units or (C) issuances pursuant to stock options or stock-based awards granted pursuant to a Parent Stock Plan or an equity compensation plan of Nuveen and outstanding on the

date hereof or granted pursuant to clause (ii) below, (ii) additional stock options or stock-based awards granted in the ordinary course consistent with past practices pursuant to any Parent Stock Plan as in effect on the date hereof *(provided, however*, that any such stock option shall be granted in accordance with Section 6.01(s)) or granted pursuant to the terms of any equity compensation plan of Nuveen, or (iii) issuances by any Subsidiary of Parent to Parent or to any wholly owned subsidiary of Parent) or (y) reduce the exercise or conversion price, extend the term or otherwise modify in any material respect the terms of any such securities of Parent or of any Subsidiary of Parent;

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(g) Parent shall not, and shall not permit any of its Subsidiaries to, redeem, purchase or otherwise acquire directly or indirectly any of Parent s capital stock (other than in the ordinary course of business on behalf of or as fiduciary for third parties);

(h) Parent shall not, and shall not permit any of its Subsidiaries to, make or commit to make any capital expenditures that are material to Parent and its Subsidiaries on a consolidated basis, except in the ordinary course of business consistent with past practices;

(i) Parent shall not, and shall not permit any of its Subsidiaries to, (i) incur or assume any long-term or short-term debt or issue any debt securities (other than issuances of commercial paper, or borrowings under the Nuveen Credit Facilities, in the ordinary course of business consistent with past practices); (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except (A) in the ordinary course of business consistent with past practices or (B) for obligations of the wholly owned Subsidiaries of Parent; (iii) make any loans or advances to or debt investments in any other Person, other than (x) loans or advances to or debt investments in Parent s wholly owned subsidiaries or Nuveen, (y) investment activities in the ordinary course of business consistent with past practices or (z) agency loans in the ordinary course of business consistent with past practices; (iv) pledge or otherwise encumber shares of capital stock of Parent or its Subsidiaries; or (v) mortgage or pledge any of its material assets, tangible or intangible, or create any material Lien thereupon, except in the ordinary course of business consistent with past practices;

(j) except as may be required by law or by existing agreements or arrangements, Parent shall not, and shall not permit any of its Subsidiaries to, increase in any manner the compensation or benefits under any Parent Employee Plan or Parent International Plan of any director, employee or independent contractor or pay any benefit or compensation not required by any plan and arrangement as in effect as of the date hereof (including, the granting of stock options, stock appreciation rights or other stock-based award), other than (i) increases in salary or performance bonuses consistent with past practices in light of actual performance, (ii) arrangements for newly hired individuals that are consistent with existing policies and practices or (iii) increases of not more than $250,000 in the aggregate for any individual;

(k) except as otherwise expressly provided for herein, Parent shall not, and shall not permit any of its Subsidiaries to, enter into any material contract, agreement, commitment or transactions, other than in the ordinary course of business consistent with past practices;

(l) Parent shall not, and shall not permit any of its Subsidiaries to, enter into any agreement that limits or otherwise restricts in any material respect Parent or any of its Subsidiaries (or, following completion of the Merger, the Company or any of its Subsidiaries) or any successor thereto, from engaging or competing in any line of business or in any geographical area;

(m) Parent shall not, and shall not permit any of its Subsidiaries to, pay, discharge, settle or satisfy (i) any non-insurance claim, liability or obligation (including extra-contractual obligations), other than (A) in the ordinary course of business for amounts not in excess of $100,000,000 in the aggregate (or, if in excess of $100,000,000 in the aggregate, with the consent of the Company, such consent not to be unreasonably withheld or delayed) or (B) pursuant to existing contractual obligations or (ii) any insurance claim, liability or obligation (absolute, accrued,

asserted or unasserted, contingent or otherwise) for amounts in excess of $100,000,000 (or, if in excess of $100,000,000, with the consent of the Company, such consent not to be unreasonably withheld or delayed);

(n) Parent shall not, and shall not permit any of its Subsidiaries to, make, change or revoke any material Tax election or change its method of accounting if such change would have a material adverse impact on Taxes or change its fiscal year;

(o) Parent shall not, and shall not permit any of its Subsidiaries to, enter into any new reinsurance transaction as ceding insurer (i) which does not contain market cancellation, termination and commutation provisions or (ii) which materially changes the existing reinsurance profile of Parent and its Subsidiaries on a consolidated basis outside of the ordinary course of business;

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(p) Parent shall not, and shall not permit any of its Subsidiaries to, alter or amend in any material respect their existing underwriting, claim handling, loss control, investment, actuarial, financial reporting or accounting practices, guidelines or policies or any material assumption underlying an actuarial practice or policy, except as may be required by GAAP or applicable SAP or the local equivalent in the applicable jurisdictions;

(q) Parent shall use its reasonable best efforts not to, and shall use its reasonable best efforts not to permit any of its Subsidiaries to, take any action (including any action otherwise permitted by this Section 6.01 that would prevent or impede the Merger from qualifying as a reorganization under Section 368(a) of the Code;

(r) Parent shall not, and shall not permit any of its Subsidiaries to, intentionally take any action (i) that would make any representation or warranty of Parent hereunder inaccurate at, or as of any time prior to the Effective Time, subject to such exceptions as would not, individually or in the aggregate, reasonably be expected to have a Parent Material Adverse Effect or (ii) that would, or would reasonably be expected to, result in any of the conditions to the Merger set forth in Article 8 not being satisfied;

(s) Parent shall not, and shall not permit any of its Subsidiaries to, grant (i) any initial stock options with any option reload features and (ii) except as may be required by law or by existing agreements or arrangements or is consistent with past practices, any reloaded stock options with any further option reload features; and

(t) Parent shall not, and shall not permit any of its Subsidiaries to, authorize or enter into an agreement to do any of the foregoing;

provided, however, that Parent s obligations pursuant to this Section 6.01 with respect to Nuveen shall be limited to Parent s reasonable best efforts.

Section 6.02. *Interim Operations of the Company.* From the date hereof until the Effective Time, the Company and its Subsidiaries shall conduct their business in the ordinary course consistent with past practices and shall use all reasonable efforts to preserve intact their business organizations and relationships with third parties and to keep available the services of their present officers and employees. Without limiting the generality of the foregoing, and except (i) to the extent Parent shall otherwise consent in writing, (ii) as expressly contemplated in this Agreement or (iii) as set forth in Section 6.02 of the Company Disclosure Schedule, from the date hereof until the Effective Time:

(a) the Company shall not adopt or propose any change to its certificate of incorporation or bylaws;

(b) the Company shall not, and shall not permit any of its Subsidiaries to, adopt a plan or agreement of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other material reorganization of the Company or any of its Subsidiaries (other than a liquidation or dissolution of a wholly owned Subsidiary of the Company or a merger or consolidation between wholly owned Subsidiaries of the Company or of any wholly owned Subsidiary into the Company);

(c) the Company shall not, and shall not permit any of its Subsidiaries to make any equity investment in or acquisition of any Person or any amount of assets material to the Company and its Subsidiaries on a consolidated basis, except for

(i) capital expenditures permitted by Section 6.02(h), (ii) equity investments in or capital contributions to any wholly owned Subsidiary of the Company or (iii) investment activities in the ordinary course of business consistent with past practices; provided that the consent of Parent with respect to any action otherwise prohibited by this Section 6.02(c) shall not be unreasonably withheld or delayed;

(d) the Company shall not, and shall not permit any of its Subsidiaries to, sell, lease, license or otherwise dispose of any assets material to the Company and its Subsidiaries on a consolidated basis, except (i) in the ordinary course of business consistent with past practices or (ii) pursuant to existing contracts or commitments; provided that the consent of Parent with respect to any action otherwise prohibited by this Section 6.02(d) shall not be unreasonably withheld or delayed);

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(e) the Company shall not, and shall not permit any of its Subsidiaries to, (i) split, combine, subdivide or reclassify any shares of capital stock of the Company or its Subsidiaries or (ii) declare, set aside or pay any dividend or other distribution payable in cash, stock or property with respect to its capital stock (other than, with respect to clause (ii), (A) dividends from its direct or indirect wholly owned Subsidiaries and (B) regular quarterly cash dividends paid by the Company on the Company Common Stock not in excess of $0.08 per share per quarter (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Company Common Stock), with usual record and payment dates and in accordance with the Company s past dividend policy);

(f) the Company shall not, and shall not permit any of its Subsidiaries to, (x) issue, sell, transfer, pledge or dispose of any shares of, or securities convertible into or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of capital stock of any class or series of the Company or its Subsidiaries (other than (i) issuances pursuant to the exercise of the Company Convertible Notes or issuances pursuant to stock options or stock-based awards granted pursuant to a Company Stock Plan and outstanding on the date hereof or granted pursuant to clause (ii) below, (ii) additional stock options or stock-based awards granted in the ordinary course consistent with past practices pursuant to a Company Stock Plan as in effect on the date hereof (*provided, however,* that any such stock option shall be granted in accordance with Section 6.02(s)), or (iii) issuances by any Subsidiary of the Company to the Company or to any wholly owned subsidiary of the Company) or (y) reduce the exercise or conversion price, extend the term or otherwise modify in any material respect the terms of any such securities of the Company or of any Subsidiary of the Company;

(g) the Company shall not, and shall not permit any of its Subsidiaries to, redeem, purchase or otherwise acquire directly or indirectly any of the Company s capital stock (other than in the ordinary course of business on behalf of or as fiduciary for third parties);

(h) the Company shall not, and shall not permit any of its Subsidiaries to, make or commit to make any capital expenditures that are material to the Company and its Subsidiaries on a consolidated basis, except in the ordinary course of business consistent with past practices;

(i) the Company shall not, and shall not permit any of its Subsidiaries to, (i) incur or assume any long-term or short-term debt or issue any debt securities (other than issuances of commercial paper in the ordinary course of business consistent with past practices); (ii) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other Person, except (A) in the ordinary course of business consistent with past practices or (B) for obligations of the wholly owned Subsidiaries of the Company; (iii) make any loans or advances to or debt investments in any other Person, other than (x) loans, advances or debt investments in the Company s wholly owned subsidiaries, (y) investment activities in the ordinary course of business consistent with past practices or (z) agency loans in the ordinary course of business consistent with past practices; (iv) pledge or otherwise encumber shares of capital stock of the Company or its Subsidiaries; or (v) mortgage or pledge any of its material assets, tangible or intangible, or create any material Lien thereupon, except in the ordinary course of business consistent with past practices;

(j) except as may be required by law or by existing agreements or arrangements, the Company shall not, and shall not permit any of its Subsidiaries to, increase in any manner the compensation or benefits under any Company Employee

Plan or Company International Plan of any director, employee or independent contractor or pay any benefit or compensation not required by any plan and arrangement as in effect as of the date hereof (including the granting of stock options, stock appreciation rights or other stock-based award), other than (i) increases in salary or performance bonuses consistent with past practices in light of actual performance, (ii) arrangements for newly hired individuals that are consistent with existing policies and practices or (iii) increases of not more than $250,000 in the aggregate for any individual;

(k) except as otherwise provided herein, the Company shall not, and shall not permit any of its Subsidiaries to, enter into any material contract, agreement, commitment or transactions, other than in the ordinary course of business consistent with past practices;

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(l) the Company shall not, and shall not permit any of its Subsidiaries to, enter into any agreement that limits or otherwise restricts in any material respect the Company or any of its Subsidiaries (or, following completion of the Merger, Parent or any of its Subsidiaries) or any successor thereto, from engaging or competing in any line of business or in any geographical area;

(m) the Company shall not, and shall not permit any of its Subsidiaries to pay, discharge, settle or satisfy (i) any non-insurance claim, liability or obligation (including extra-contractual obligations), other than (A) in the ordinary course of business for amounts not in excess of $100,000,000 in the aggregate (or, if in excess of $100,000,000 in the aggregate, with the consent of Parent, such consent not to be unreasonably withheld or delayed) or (B) pursuant to existing contractual obligations or (ii) any insurance claim, liability or obligation (absolute, accrued, asserted or unasserted, contingent or otherwise) for amounts in excess of $100,000,000 (or, if in excess of $100,000,000, with the consent of Parent, such consent not to be unreasonably withheld or delayed);

(n) the Company shall not, and shall not permit any of its Subsidiaries to, make, change or revoke any material Tax election or change its method of accounting if such change would have a material adverse impact on Taxes or change its fiscal year;

(o) the Company shall not, and shall not permit any of its Subsidiaries to, enter into any new reinsurance transaction or ceding insurer (x) which does not contain market cancellation, termination and commutation provisions or (y) which materially changes the existing reinsurance profile of the Company and its Subsidiaries on a consolidated basis outside of the ordinary course of business;

(p) the Company shall not, and shall not permit any of its Subsidiaries to, alter or amend in any material respect their existing underwriting, claim handling, loss control, investment, actuarial, financial reporting or accounting practices, guidelines or policies or any material assumption underlying an actuarial practice or policy, except as may be required by GAAP or applicable SAP or the local equivalent in the applicable jurisdictions;

(q) the Company shall use its reasonable best efforts not to, and shall use its reasonable best efforts not to permit any of its Subsidiaries to, take any action (including any action otherwise permitted by this Section 6.02) that would prevent or impede the Merger from qualifying as a reorganization under Section 368(a) of the Code;

(r) the Company shall not, and shall not permit any of its Subsidiaries to, intentionally take any action (i) that would make any representation or warranty of the Company hereunder inaccurate at, or as of any time prior to the Effective Time, subject to such exceptions as would not, individually or in the aggregate, reasonably be expected to have a Company Material Adverse Effect or (ii) that would, or would reasonably be expected to, result in any of the conditions to the Merger set forth in Article 8 not being satisfied;

(s) The Company shall not, and shall not permit any of its Subsidiaries to, grant (i) any initial stock options with any option reload features and (ii) except as may be required by law or by existing agreements or arrangements or is consistent with past practices, any reloaded stock options with any further option reload features; and

(t) the Company shall not, and shall not permit any of its Subsidiaries, to authorize or enter into an agreement to do any of the foregoing.

Section 6.03. *Control of Other Party s Business.* Nothing contained in this Agreement shall give the Company, directly or indirectly, the right to control or direct Parent s operations or give Parent, directly or indirectly, the right to control or direct the Company s operations in each case prior to the Effective Time. Prior to the Effective Time, each of Parent and the Company shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over its respective operations.

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ARTICLE 7

ADDITIONAL AGREEMENTS

Section 7.01. *Preparation of Proxy Statement; Shareholder Meetings.* (a) As promptly as practicable following the date hereof, the parties hereto shall prepare and file with the SEC the Joint Proxy Statement and the Registration Statement (in which the Joint Proxy Statement will be included). Each of Parent and the Company shall use its best efforts to have the Joint Proxy Statement cleared by the SEC and the Registration Statement declared effective under the 1933 Act by the SEC as promptly as practicable after such filing and to keep the Registration Statement effective as long as is necessary to consummate the Merger and the transactions contemplated hereby. Parent and the Company shall make all other necessary filings with respect to the Merger and the transactions contemplated hereby under the 1933 Act and the 1934 Act and applicable state blue sky laws and the rules and regulations thereunder. Each of Parent and the Company shall, as promptly as practicable after receipt thereof, provide the other parties with copies of any written comments, and advise each other of any oral comments, with respect to the Joint Proxy Statement or Registration Statement received from the SEC. No amendment or supplement to the Joint Proxy Statement or the Registration Statement (including incorporation by reference) shall be made without the approval of both Parent and the Company, which approval shall not be unreasonably withheld or delayed; *provided* that with respect to documents filed by a party that are incorporated by reference in the Joint Proxy Statement or Registration Statement, this right of approval shall apply only with respect to information relating to the other party or its business, financial condition or results of operations. Parent will use reasonable best efforts to cause the Joint Proxy Statement to be mailed to Parent s shareholders, and the Company will use reasonable best efforts to cause the Joint Proxy Statement to be mailed to the Company s shareholders, in each case, as promptly as practicable after the Registration Statement is declared effective under the 1933 Act. Each of Parent and the Company will advise the other parties, promptly after it receives notice thereof, of the time when the Registration Statement has become effective, the issuance of any stop order, the suspension of the qualification of the Parent Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction, or any request by the SEC for amendment of the Joint Proxy Statement or the Registration Statement. If, at any time prior to the Effective Time, any information relating to Parent and the Company, or any of their respective Affiliates, officers or directors, is discovered by Parent or the Company that should be set forth in an amendment or supplement to any of the Registration Statement or the Joint Proxy Statement so that any of such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party hereto discovering such information shall promptly notify the other parties and, to the extent required by law, an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent required by law, disseminated to the shareholders of Parent and the Company.

(b) The Company shall cause a meeting of its shareholders (the **Company Shareholder Meeting**) to be duly called and held as soon as reasonably practicable for the purpose of voting on the matters requiring the Company Shareholder Approval and, subject to Section 7.05(b), the Board of Directors of the Company shall recommend approval of this Agreement and the Merger (and all related proposals) by the shareholders of the Company. In connection with such meeting, and subject to Section 7.05 (b), the Company shall use its best efforts to obtain the necessary approvals by its shareholders of this Agreement and the transactions contemplated hereby and shall otherwise comply with all legal requirements applicable to such meeting.

(c) Parent shall cause a meeting of its shareholders (the **Parent Shareholder Meeting** and, together with the Company Shareholder Meeting, the **Shareholder Meetings**) to be duly called and held as soon as reasonably practicable for the purpose of voting on the matters requiring the Parent Shareholder Approval and, subject to Section 7.05(b), the Board of Directors of Parent shall recommend approval of the matters constituting the Parent Shareholder Approval (and all related proposals) by the shareholders of Parent. In connection with such meeting, and subject to Section 7.05(b), Parent shall use its best efforts to obtain the Parent Shareholder Approval and shall otherwise comply with all legal requirements applicable to such meeting.

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Section 7.02. *Parent Organizational Documents; Governance Matters; Headquarters.*

(a) Subject to the receipt of the Parent Shareholder Approval, Parent shall take all actions necessary to cause (i) the articles of incorporation of Parent at the Effective Time to be in the form of either (A) Exhibit A-1, if both the Parent Shareholder Transaction Approval and the Parent Shareholder Charter Approval is obtained at the Parent Shareholder Meeting or (B) Exhibit A-2, if the Parent Shareholder Transaction Approval is obtained at the Parent Shareholder Meeting but the Parent Shareholder Charter Approval is not so obtained and (ii) the bylaws of Parent at the Effective Time to be in the form of Exhibit B.

(b) Parent and the Company shall take all actions necessary so that at the Effective Time: (i) the Parent Board of Directors shall initially consist of twenty-three (23) directors, 11 of whom initially shall be then-existing Parent directors designated by Parent and 12 of whom initially shall be then-existing Company directors designated by the Company; (ii) the Parent Board of Directors shall have standing executive, audit, governance, investment and capital markets, nomination and compensation, and risk committees, each comprised of an equal number of then-existing Parent directors designated by Parent and then-existing Company directors designated by the Company as set forth in Section 7.02(c) of the Parent Disclosure Schedule and of the Company Disclosure Schedule; (iii) Robert I. Lipp, if available, shall be appointed Chairman of the Parent Board of Directors, which position shall be an executive officer position, and (iv) Jay S. Fishman, if available, shall be appointed Chief Executive Officer of Parent.

(c) The senior officers and managers of Parent at the Effective Time shall be as specified in Section 7.02(c) of the Parent Disclosure Schedule and of the Company Disclosure Schedule and shall have such duties as are specified in such Schedule, and all other officers of Parent at the Effective Time shall be appointed by Parent following their designation by the Chief Executive Officer of Parent in consultation with the Chairman of the Parent Board of Directors.

(d) At the Effective Time, Parent s headquarters shall be located in St. Paul, Minnesota.

(e) Parent shall take all actions necessary to assume, effective as of the Effective Time, and to agree to perform the Amended and Restated Employment Agreement between the Company and Robert I. Lipp, as set forth in Section 7.02(e) of the Company Disclosure Schedule.

Section 7.03. *Access to Information.* Upon reasonable notice, each of Parent and the Company shall (and shall cause its Subsidiaries to) afford to the officers, employees, accountants, counsel, financial advisors and other representatives of the other party reasonable access during normal business hours, during the period prior to the Effective Time, to all its properties, books, contracts, commitments, records, officers and employees and, during such period, each of Parent and the Company shall (and shall cause its Subsidiaries to) furnish promptly to the other party (a) a copy of each report, schedule, registration statement and other document filed, published, announced or received by it during such period pursuant to the requirements of U.S. federal or state securities Laws, Insurance Laws or the HSR Act, as applicable (other than documents that such party hereto is not permitted to disclose under applicable Law), and (b) all other information concerning it and its business, properties and personnel as such other party may reasonably request; *provided, however*, that any party hereto may restrict the foregoing access to the extent that (i) any law, treaty, rule or regulation of any Governmental Authority applicable to such party or any contract requires such party or its Subsidiaries to

restrict or prohibit access to any such properties or information, (ii) counsel for such party advises that such information should not be disclosed in order to ensure compliance with applicable Law, (iii) the information is subject to the attorney-client privilege, work product doctrine or any other applicable privilege concerning pending or legal proceedings or government investigations, or (iv) the information is subject to confidentiality obligations to a third party. Subject to Section 7.15, the parties hereto shall hold any information obtained pursuant to this Section 7.03 in confidence in accordance with, and shall otherwise be subject to, the provisions of the confidentiality agreement dated June 6, 2003, between Parent and the Company (the **Confidentiality Agreement**), which Confidentiality Agreement shall continue in full force and effect. Any investigation by either Parent or the Company shall not affect the representations and warranties of the other party.

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Section 7.04. *Reasonable Best Efforts.* (a) Subject to the terms and conditions of this Agreement, each party hereto will use its reasonable best efforts to take, or cause to be taken, all actions, and do, or cause to be done, all things necessary, proper or advisable under this Agreement and applicable laws and regulations to consummate the Merger and the other transactions contemplated by this Agreement as soon as practicable after the date hereof, including (i) preparing and filing as promptly as practicable all documentation to effect all necessary applications, notices, petitions, filings, ruling requests, and other documents and to obtain as promptly as practicable all Parent Necessary Consents or Company Necessary Consents, as appropriate, and all other consents, waivers, licenses, orders, registrations, approvals, permits, rulings, authorizations and clearances necessary or advisable to be obtained from any third party and/or any Governmental Authority in order to consummate the Merger or any of the other transactions contemplated by this Agreement (collectively, the **Required Approvals**) and (ii) taking all reasonable steps as may be necessary to obtain all such Necessary Consents and the Required Approvals. In furtherance and not in limitation of the foregoing, each of Parent and the Company agrees (i) to make, as promptly as practicable, (A) an appropriate filing of a Notification and Report Form pursuant to the HSR Act with respect to the transactions contemplated hereby, (B) appropriate filings under the Insurance Laws of the jurisdictions set forth in Section 4.03 of the Parent Disclosure Schedule and of the jurisdictions set forth in Section 5.03 of the Company Disclosure Schedule, and (C) all other necessary filings with other Governmental Authorities relating to the Merger, and, to supply as promptly as practicable any additional information or documentation that may be requested pursuant to such Laws or by such Governmental Authorities and to use reasonable best efforts to cause the expiration or termination of the applicable waiting periods under the HSR Act and the receipt of Required Approvals under such other laws or from such Governmental Authorities as soon as practicable and (ii) not to extend any waiting period under the HSR Act or enter into any agreement with the FTC or the DOJ not to consummate the transactions contemplated by this Agreement, except with the prior written consent of the other parties hereto. Notwithstanding anything to the contrary in this Agreement, neither Parent nor the Company nor any of their respective Subsidiaries shall be required to hold separate (including by trust or otherwise) or to divest any of their respective businesses or assets, or to take or agree to take any action or agree to any limitation, in any such case, that would reasonably be expected to have a Parent Material Adverse Effect or a Company Material Adverse Effect, in each case after giving effect to the Merger, or to materially impair the benefits to Parent and the Company expected, as of the date hereof, to be realized from consummation of the Merger, and neither Parent nor the Company shall be required to agree to or effect any divestiture, hold separate any business or take any other action that is not conditional on the consummation of the Merger.

(b) Each of Parent and the Company shall, in connection with the efforts referenced in Section 7.04(a) to obtain all Required Approvals, use its reasonable best efforts to (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party, (ii) subject to applicable Law, permit the other party to review in advance any proposed written communication between it and any Governmental Authority, (iii) promptly inform each other of (and, at the other party s reasonable request, supply to such other party) any communication (or other correspondence or memoranda) received by such party from, or given by such party to, the DOJ, the FTC or any other Governmental Authority and of any material communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby, (iv) consult with each other in advance to the extent practicable of any meeting or conference with the DOJ, the FTC or any other Governmental Authority or, in connection with any proceeding by a private party, with any other Person, and to the extent permitted by the DOJ, the FTC or such

other applicable Governmental Authority or other Person, and (v) to the extent such party has not been advised by its counsel that such information should not be disclosed in order to ensure compliance with applicable Law, give the other party the opportunity to attend and participate in such meetings and conferences referred to in clause (iv) above.

(c) In furtherance and not in limitation of the covenants of the parties contained in Section 7.04 and Section 7.04(b), if any administrative or judicial action or proceeding, including any proceeding by a private party, is instituted (or threatened to be instituted) challenging any transaction contemplated by this Agreement as violative of any Law, or if any statute, rule, regulation, executive order, decree, injunction or administrative order is enacted, entered, promulgated or enforced by a Governmental Authority that would

make the Merger or the other transactions contemplated hereby illegal or would otherwise prohibit or materially impair or delay the consummation of the Merger or the other transactions contemplated hereby, each of Parent and the Company shall cooperate in all respects with each other and use its respective reasonable best efforts, including, subject to Section 7.04, selling, holding separate or otherwise disposing of or conducting their business in a specified manner, or agreeing to sell, hold separate or otherwise dispose of or conduct their business in a specified manner or permitting the sale, holding separate or other disposition of, any assets of Parent, the Company or their respective Subsidiaries or the conducting of their business in a specified manner, to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the Merger or the other transactions contemplated by this Agreement and to have such statute, rule, regulation, executive order, decree, injunction or administrative order repealed, rescinded or made inapplicable so as to permit consummation of the transactions contemplated by this Agreement.

(d) Each party hereto and its respective Board of Directors shall, if any state takeover statute or similar statute becomes applicable to this Agreement, the Merger or any other transactions contemplated hereby, take all action reasonably necessary to ensure that the Merger and the other transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms contemplated hereby and otherwise to minimize the effect of such statute or regulation on this Agreement, the Merger and the other transactions contemplated hereby.

(e) To the extent determined in good faith by Parent and the Company to be required by applicable Law, Parent shall, and shall cause its Subsidiaries to, use their reasonable best efforts to (i) as of the Effective Time, cease to manage, or otherwise to be deemed a fiduciary (within the meaning of Section 406 of ERISA) with respect to, any and all assets of any Third Parties to which Parent or any of its Subsidiaries provides investment advisory, administration, brokerage, trust, other fiduciary or distribution services on the date hereof pursuant to an advisory contract (each, a **Client**) that are (x) subject to ERISA and (y) invested as of the date hereof, in equity and/or debt securities of the Company or its ERISA Affiliates, and (ii) not later than such time as is determined in good faith by Parent and the Company to be required under applicable Law, cause all other accounts of Clients that hold equity and/or debt securities of Parent or any of its Affiliates to dispose of such securities (including without limitation Clients that are Registered Investment Companies).

(f) To the extent determined in good faith by Parent and the Company to be required by applicable Law, Company shall, and shall cause its Subsidiaries to, use their reasonable best efforts to (i) as of the Effective Time, cease to manage, or otherwise to be deemed a fiduciary (within the meaning of Section 406 of ERISA) with respect to, any and all assets of any Clients that are (x) subject to ERISA and (y) invested as of the date hereof, in equity and/or debt securities of the Parent or its ERISA Affiliates, and (ii) not later than such time as is determined in good faith by Parent and the Company to be required under applicable Law, cause all other accounts of Clients that hold equity and/or debt securities of Parent or any of its Affiliates to dispose of such securities.

Section 7.05. *Acquisition Proposals.* (a) Each of Parent and the Company (the **Applicable Party**) agrees that it will not, and it will cause its Subsidiaries and the officers, directors, employees, investment bankers, attorneys, accountants, consultants and other agents or advisors of it and its Subsidiaries not to, prior to the termination of this Agreement, (i) solicit, initiate or take any action to facilitate or encourage the submission of any Acquisition Proposal, (ii) enter into or participate

in any discussions or negotiations with, furnish any non-public information relating to it or any of its Subsidiaries or afford access to the business, properties, assets, books or records of it or any of its Subsidiaries, or otherwise cooperate in any way with or knowingly assist, participate in, facilitate or encourage any effort by, any Third Party that is seeking to make, or has made, an Acquisition Proposal, (iii) approve or recommend, or propose publicly to approve or recommend, any Acquisition Proposal, (iv) amend or grant any waiver or release under any standstill or similar agreement with respect to any class of its equity securities or any class of equity securities of its Subsidiaries or (v) enter into any agreement, understanding or commitment with respect to an Acquisition Proposal.

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Acquisition Proposal means, other than the transactions contemplated by this Agreement, any offer, proposal or inquiry relating to, or any Third Party indication of interest in, (A) any acquisition or purchase, direct or indirect, of 30% or more of the consolidated assets of the Applicable Party and its Subsidiaries or 30% or more of any class of equity or voting securities of the Applicable Party or any of its Subsidiaries whose assets, individually or in the aggregate, constitute more than 30% of the consolidated assets of the Applicable Party, (B) any tender offer (including a self-tender offer) or exchange offer that, if consummated, would result in such Third Party beneficially owning 30% or more of any class of equity or voting securities of the Applicable Party or any of its Subsidiaries whose assets, individually or in the aggregate, constitute more than 30% of the consolidated assets of the Applicable Party, (C) a merger, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving the Applicable Party or any of its Subsidiaries whose assets, individually or in the aggregate, constitute more than 30% of the consolidated assets of the Applicable Party or (D) any other transaction the consummation of which could reasonably be expected to impede, interfere with, prevent or materially delay the Merger or that could reasonably be expected to dilute materially the benefits to the other party of the transactions contemplated hereby.

(b) Notwithstanding the foregoing, the Board of Directors of the Applicable Party, directly or indirectly through advisors, agents or other intermediaries, may (i) engage in negotiations or discussions with any Third Party that, subject to the Applicable Party s compliance with Section 7.05, has made a bona fide unsolicited written Acquisition Proposal that the Board of Directors of the Applicable Party has determined in good faith by majority vote, after consultation with its financial advisor and outside legal counsel, would reasonably be expected to lead to a Superior Proposal, (ii) furnish to such Third Party nonpublic information relating to the Applicable Party or any of its Subsidiaries pursuant to an appropriate confidentiality agreement (a copy of which shall be provided for informational purposes only to the other party) having provisions that are no less favorable to the Applicable Party than those contained in the Confidentiality Agreement, (iii) following receipt of such a bona fide unsolicited Acquisition Proposal that the Board of Directors of the Applicable Party has determined, in good faith by majority vote, after consultation with its financial advisor and outside legal counsel, is a Superior Proposal, fail to make, withdraw, or modify in a manner adverse to the other party its recommendation to its shareholders referred to in Section 7.01 hereof including in connection with the applicable Shareholder Meeting referred to therein (any such action, a **Change in Recommendation**), and/or (iv) take any non-appealable, final action that any court of competent jurisdiction orders the Applicable Party to take, but in each case referred to in the foregoing clauses (i) through (iii) only if the Board of Directors of the Applicable Party determines in good faith by a majority vote, after consultation with its financial advisor and outside legal counsel, that it must take such action to comply with its fiduciary duties under applicable law. Nothing contained herein shall prevent the Board of Directors of Parent or the Company from complying with Rule 14e-2(a) or Rule 14d-9 under the 1934 Act with regard to an Acquisition Proposal to the extent applicable; *provided* that neither such Board of Directors shall recommend that their shareholders tender shares of capital stock in connection with any tender or exchange offer unless such Board of Directors shall have determined in good faith by majority vote, after consultation with its financial advisor and outside legal counsel, that such tender or exchange offer is a Superior Proposal.

(c) The Board of Directors of an Applicable Party shall not take any of the actions referred to in clauses (i) through (iv) of the preceding subsection unless the Applicable Party shall have delivered to the other party a prior written notice advising the other party that it intends to take such action, and the Applicable Party shall continue to advise the other party after taking such action; *provided* that, in the

case of an action referred to in clause (iii) of the preceding subsection, the Applicable Party shall have delivered written notice to the other party at least ten Business Days in advance of taking such action (unless at the time such notice is otherwise required to be given there are fewer than ten Business Days prior to the Applicable Party s Shareholder Meeting or the ten-Business-Day period would make impractical compliance with Rule 14e-2(a) or Rule 14d-9, in which case the Applicable Party shall provide as much notice in advance of the Applicable Party s shareholder meeting or the filing of a Schedule 14D-9, as applicable, as is reasonably practicable) and during such interim period it shall have negotiated, and shall have caused its financial and legal advisors to negotiate, with the other party in good faith to make such adjustments in the terms and conditions of this Agreement such that the Acquisition Proposal would no longer constitute a Superior Proposal. In addition, the

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Applicable Party shall notify the other party promptly (but in no event later than 24 hours) after receipt by the Applicable Party (or any of its advisors) of any Acquisition Proposal, any indication that a Third Party is considering making an Acquisition Proposal or of any request for non-public information relating to the Applicable Party or any of its Subsidiaries or for access to the business, properties, assets, books or records of the Applicable Party or any of its Subsidiaries by any Third Party that may be considering making, or has made, an Acquisition Proposal. The Applicable Party shall provide such notice orally and in writing and shall identify the Third Party making, and the terms and conditions of, any such Acquisition Proposal, indication or request. The Applicable Party shall promptly provide the other party with any non-public information concerning the Applicable Party s business, present or future performance, financial condition or results of operations, provided to any Third Party that was not previously provided to the other party. The Applicable Party shall keep the other party fully informed, on a prompt basis (but in no event later than 24 hours), of the status and details of any such Acquisition Proposal, indication or request. The Applicable Party shall, and shall cause its Subsidiaries and the advisors, employees and other agents of the Applicable Party and any of its Subsidiaries to, cease immediately and cause to be terminated any and all existing activities, discussions or negotiations, if any, with any Third Party conducted prior to the date hereof with respect to any Acquisition Proposal and shall use its reasonable best efforts to cause any such Third Party (or its agents or advisors) in possession of confidential information about the Applicable Party that was furnished by or on behalf of the Applicable Party to return or destroy all such information.

Superior Proposal means any bona fide, unsolicited written Acquisition Proposal for shares of capital stock of the Applicable Party representing at least a majority of the outstanding voting power of the Applicable Party on terms that the Board of Directors of the Applicable Party determines in good faith by a majority vote, after consultation with its financial advisor and outside legal counsel and taking into account all the terms and conditions of the Acquisition Proposal, including any break-up fees, expense reimbursement provisions, Tax treatment, regulatory aspects and conditions to consummation, are more favorable to all the Applicable Party s shareholders, from a financial point of view, than the transactions contemplated by this Agreement (including the terms, if any, proposed by the other party to amend or modify the terms of the transactions contemplated by this Agreement) and for which financing, to the extent required, is then fully committed or reasonably determined to be available by the Board of Directors of the Applicable Party.

(d) Nothing in this Section 7.05 shall (x) permit Parent or the Company to terminate this Agreement (except as specifically provided in Article 9) or (y) affect or limit any other obligation of Parent or the Company under this Agreement (including the provisions of Section 7.01). Except as required by law or its certificate or articles of incorporation or bylaws, neither Parent nor the Company shall submit any Acquisition Proposal other than the Merger and the transactions contemplated by this Agreement to a vote of its shareholders prior to termination of this Agreement.

Section 7.06. *Directors and Officers Indemnification and Insurance.* (a) Following the Effective Time, Parent and the Surviving Corporation shall, to the extent permitted by law, (i) jointly and severally indemnify and hold harmless, and provide advancement of expenses to, all past and present directors, officers and employees of the Company and its Subsidiaries (in all of their capacities) (A) to the same extent such individuals are indemnified or have the right to advancement of expenses as of the date of this Agreement by the Company pursuant to the certificate of incorporation and bylaws of the Company and indemnification agreements, if any, in existence on the date hereof with, or for the benefit of, any directors, officers and employees of the Company and its Subsidiaries and

(B) without limitation to subclause (A) above, to the fullest extent permitted by law, in each case for acts or omissions occurring at or prior to the Effective Time (including for acts or omissions occurring in connection with the approval of this Agreement and the consummation of the transactions contemplated hereby), (ii) include and cause to be maintained in effect in the certificate of incorporation and bylaws of the Surviving Corporation (or any successor to the Surviving Corporation) for a period of six years after the Effective Time, provisions regarding elimination of liability of directors, indemnification of officers, directors and employees and advancement of expenses that are, in the aggregate, no less advantageous to the intended beneficiaries than the corresponding provisions contained in the current certificate of incorporation and bylaws and (iii) cause to be maintained for a period of six years after the Effective Time the current policies of directors and officers liability insurance and fiduciary liability

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insurance with one or more reputable unaffiliated third-party insurers maintained by the Company (*provided* that Parent (or any successor thereto) may substitute therefor one or more policies with one or more reputable unaffiliated third-party insurers of at least the same coverage and amounts containing terms and conditions that are, in the aggregate, no less advantageous to the insured) with respect to claims arising from facts or events that occurred on or before the Effective Time; *provided*, however, that in no event shall the Surviving Corporation be required to expend in any one year an amount in excess of 300% of the annual premiums currently paid by the Company for such insurance if the Board of Directors of Parent as constituted after the Effective Time shall have so determined; and, *provided further* that if the annual premiums of such insurance coverage exceed such amount, the Surviving Corporation shall obtain a policy with at least the greatest coverage available for a cost not exceeding such amount. Notwithstanding any foregoing provision to the contrary, the treatment of past and present directors, officers and employees of the Company and its Subsidiaries with respect to elimination of liability, indemnification, advancement of expenses and liability insurance under this Section 7.06 shall be, in the aggregate, no less advantageous to the intended beneficiaries thereof than the corresponding treatment of the past and present directors, officers and employees of Parent and its Subsidiaries under Section 7.06(b).

(b) The obligations of Parent and the Surviving Corporation under this Section 7.06 shall not be terminated or modified in such a manner as to adversely affect any indemnitee to whom this Section 7.06 applies without the consent of such affected indemnitee (it being expressly agreed that the indemnitees to whom this Section 7.06 applies shall be third-party beneficiaries of this Section 7.06).

Section 7.07. *Employee Benefits.* (a) From and after the Effective Time, the Company Employee Plans and Company International Plans in effect as of the date of this Agreement and at the Effective Time shall remain in effect with respect to the current and former employees of the Company and its Subsidiaries (the **Company Employees**) covered by such plans at the Effective Time, until such time as Parent and the Company shall otherwise determine, subject to applicable laws and the terms of such plans. Parent and the Company shall cooperate in reviewing, evaluating and analyzing the Parent Employee Plans, the Parent International Plans, the Company Employee Plans and the Company International Plans (collectively, the **Existing Plans**) with a view towards developing appropriate Employee Plans for all employees of Parent, the Company and their respective Subsidiaries; *provided* that the Employee Plans of Parent and its Subsidiaries shall be maintained substantially as in effect immediately prior to the Effective Time through the end of the 2004 plan year for such Employee Plan, or if such Employee Plan has no plan year, December 31, 2004. It is the intention of Parent and the Company, to the extent permitted by applicable laws, for Parent and the Company to develop Employee Plans, as soon as reasonably practicable after the Effective Time, which, among other things, (i) treat similarly situated employees on a substantially equivalent basis, taking into account all relevant factors, including duties, geographic location, line of business, tenure, qualifications and abilities and (ii) do not discriminate between employees who were covered by Parent Employee Plans or Parent International Plans, on the one hand, and employees covered by Company Employee Plans or Company International Plans on the other, at the Effective Time. Nothing herein shall prohibit any changes to the Existing Plans that may be (x) required by applicable laws (including any applicable qualification requirements of Section 401(a) of the Code), (y) necessary as a technical matter to reflect the transactions contemplated hereby or (z) required for Parent to provide for or permit investment in its securities. Subject to the proviso contained in the second sentence of this Section 7.07(a), nothing in this Section 7.07 shall be interpreted as preventing Parent or the Company from amending, modifying or terminating any Existing Plan or other contract, arrangement, commitment or understanding, in accordance with its terms and applicable laws.

(b) With respect to any Employee Plan in which any Company Employee first becomes eligible to participate on or after the Effective Time, and in which such Company Employee did not participate prior to the Effective Time (a **New Plan**), Parent shall: (i) waive all pre-existing conditions, exclusions and waiting periods with respect to participation and coverage requirements applicable to such Company Employee and his or her eligible dependents under such New Plan, except to the extent such pre-existing conditions, exclusions or waiting periods applied immediately prior thereto under the analogous Company Employee Plan or Company International Plan; (ii) provide such Company Employee and his or her eligible dependents with

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credit for any co-payments and deductibles paid prior to becoming eligible to participate in such New Plan under an analogous Company Employee Plan or Company International Plan (to the same extent that such credit was given under such Company Employee Plan) in satisfying any applicable deductible or annual maximum out-of-pocket requirements under such New Plan; and (iii) recognize all service of such Company Employee with the Company, and its Subsidiaries and predecessors, for all purposes (except with respect to any defined benefit pension plan, benefit accrual) in such New Plan, to the extent that such service was recognized for such purpose under the analogous Company Employee Plan or Company International Plan; *provided* that the foregoing shall not apply to the extent it would result in any duplication of benefits.

(c) The provisions in any Company Employee Plan or Company International Plan providing for the issuance, transfer or grant of any capital stock of the Company (including any stock-based compensation awards) shall be amended, effective as of the Effective Time, to provide for the issuance, transfer or grant of capital stock of Parent, and each of Parent and the Company shall ensure that, following the Effective Time, no holder of a Company Stock Option or Company Stock-Based Award or any participant in any Company Employee Plan or Company International Plan shall have any right thereunder to acquire any capital stock (including any stock-based compensation awards) of the Company.

(d) Prior to the Effective Time, Parent and the Company shall take or cause to be taken all actions necessary to amend any benefit equalization trust, rabbi trust, voluntary employees benefits association or similar funding vehicle and any related Parent Employee Plan or Parent International Plan or a Company Employee Plan or Company International Plan, as the case may be, effective prior to or as of the Effective Time, such that the transactions contemplated by this Agreement (whether alone or in connection with other events) will not result in the acceleration, increase or provision of any rights or benefits to any current or former director, employee or independent contractor under such funding vehicle, including any additional funding obligation thereunder.

Section 7.08. *Public Announcements.* Parent and the Company shall use reasonable best efforts to develop a joint communications plan and each party shall use reasonable best efforts (i) to ensure that all press releases and other public statements with respect to the transactions contemplated hereby shall be consistent with such joint communications plan and (ii) unless otherwise required by applicable Law or by obligations pursuant to any listing agreement with or rules of any securities exchange, to consult with each other before issuing any press release or, to the extent practical, otherwise making any public statement with respect to this Agreement or the transactions contemplated hereby. In addition to the foregoing, except to the extent disclosed in or consistent with the Joint Proxy Statement in accordance with the provisions of Section 7.01, neither Parent nor the Company shall issue any press release or otherwise make any public statement or disclosure concerning the other party or the other party s business, financial condition or results of operations without the consent of the other party, which consent shall not be unreasonably withheld or delayed.

Section 7.09. *Listing of Shares of Parent Common Stock.* Parent shall use its best efforts to cause the shares of Parent Common Stock to be issued in the Merger and the shares of Parent Common Stock to be reserved for issuance upon exercise of the Parent Stock Options (following the Merger) to be approved for listing on the NYSE, subject to official notice of issuance, prior to the Effective Time.

Section 7.10. *Rights Agreements.* The Board of Directors of the Company has taken all action to the extent necessary (including amending the Company Rights Agreement) in order to render the Company Rights inapplicable to the

Merger and the other transactions contemplated by this Agreement. Except in connection with the foregoing sentence and to effect its obligations under this Agreement, the Board of Directors of the Company shall not, without the prior written consent of Parent, (i) amend the Company Rights Agreement or (ii) take any action with respect to, or make any determination under, the Company Rights Agreement, including a redemption of the Company Rights, in each case in order to facilitate any Acquisition Proposal with respect to the Company.

Section 7.11. *Affiliates.* Promptly following the date of mailing of the Joint Proxy Statement, the Company shall deliver to Parent a letter identifying all Persons who, in the judgment of the Company, may be deemed at the time this Agreement is submitted for the Company Shareholder Approval, affiliates of

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Company for purposes of Rule 145 under the 1933 Act and applicable SEC rules and regulations, and such list shall be updated as necessary to reflect changes from the date thereof. The Company shall use reasonable best efforts to cause each Person identified on such list to deliver to Parent not later than ten days prior to the Effective Time, a written agreement substantially in the form attached as Exhibit C hereto.

Section 7.12. *Section 16 Matters.* Prior to the Effective Time, Parent and the Company shall take all such steps as may be required to cause any dispositions of Company Common Stock (including derivative securities with respect to Company Common Stock) or acquisitions of Parent Common Stock (including derivative securities with respect to Parent Common Stock) resulting from the transactions contemplated by Article 2 or Article 3 by each individual who is subject to the reporting requirements of Section 16(a) of the 1934 Act with respect to the Company or will become subject to such reporting requirements with respect to Parent, to be exempt under Rule 16b-3 promulgated under the 1934 Act.

Section 7.13. *Dividends.* After the date of this Agreement, each of Parent and the Company shall coordinate with the other the declaration of any dividends in respect of Parent Common Stock and Company Common Stock and the record dates and payment dates relating thereto, it being the intention of the parties hereto that holders of Parent Common Stock or Company Common Stock shall not receive two dividend distributions, or fail to receive one full dividend distribution, for any single calendar quarter, including the quarter in which the Effective Time occurs, with respect to their shares of Company Common Stock and any shares of Parent Common Stock any such holder receives in exchange therefor in the Merger; *provided* that notwithstanding anything in the foregoing to the contrary, it is the intention of the parties that Parent will declare to the holders of Parent Common Stock as of a record date or dates prior to the Effective Time and pay one or more special dividends of cash or obligations to pay cash in an amount sufficient to result in such holders receiving in respect of their Parent Common Stock aggregate dividends with record dates during 2004 of $1.16 per share (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Parent Common Stock), assuming that dividends declared by Parent after the Effective Time with record dates in 2004 will be paid at the quarterly rate of $0.22 (appropriately adjusted to reflect any stock dividends, subdivisions, splits, combinations or other similar events relating to the Parent Common Stock) per share of Parent Common Stock.

Section 7.14. *Company Convertible Securities.* Parent and the Company shall use all reasonable efforts to enter into a supplemental indenture prior to the Effective Time with the trustee under the Company Indenture, to provide that from and after the Effective Time (i) the Company Convertible Notes will be convertible only into the Merger Consideration payable to holders of shares of Company Common Stock in the Merger and (ii) Parent will become a joint obligor, together with the Company, with respect to the Company Convertible Notes.

Section 7.15. *Limited Disclosure Authorization.* Notwithstanding any other provision of this Agreement or the Confidentiality Agreement, each of the parties (and each employee, representative or other agent of each of the parties) may disclose the tax treatment and tax structure of the transactions contemplated by this Agreement (including any materials, opinions or analyses relating to such tax treatment or tax structure, but without disclosure of identifying information or, except to the extent relating to such tax structure or tax treatment, any nonpublic commercial or financial information); *provided* that any such information relating to the tax treatment or tax structure shall be kept confidential to the extent necessary to comply with any applicable federal or state securities laws. Moreover, notwithstanding any other provision of this Agreement or the Confidentiality

Agreement, there shall be no limitation on each of the parties ability to consult any tax advisor, whether or not independent from such party or its Affiliates, regarding the tax treatment or tax structure of the transactions contemplated by this Agreement.

Section 7.16. *Tax Treatment.* Prior to and at the Effective Time, each party hereto shall use its best efforts (including by delivering customary representations required by each party s counsel to render its opinion described in Sections 8.02(c) and 8.03(c)) to cause the Merger to qualify as a reorganization within the meaning of Section 368(a) of the Code, and shall not take any action reasonably likely to cause the Merger not so to qualify.

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ARTICLE 8

CONDITIONS PRECEDENT

Section 8.01. *Conditions to Each Party s Obligations to Effect the Merger.* The obligations of each party hereto to effect the Merger are subject to the satisfaction of the following conditions:

(a) (i) Parent shall have obtained the Parent Shareholder Transaction Approval and (ii) the Company shall have obtained the Company Shareholder Approval;

(b) no material provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the Merger;

(c) any applicable waiting period under the HSR Act relating to the Merger shall have expired or been terminated;

(d) the Registration Statement shall have been declared effective and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for such purpose shall be pending before or threatened by the SEC;

(e) the shares of Parent Common Stock to be issued in the Merger and such other shares of Parent Common Stock to be reserved for issuance upon exercise of Parent Stock Options (following the Merger) shall have been approved for listing on the NYSE, subject to official notice of issuance; and

(f) other than the filing of the Merger Certificate as provided in Article 2, all Necessary Consents shall have been taken, made or obtained and there shall not be any action taken, or any statute, rule, regulation, order or decree enacted, entered, enforced or deemed applicable to the Merger by any Governmental Authority which imposes any condition or restriction upon Parent or its Subsidiaries (including, after the Effective Time, the Surviving Corporation) which would reasonably be expected to have a material adverse effect after the Effective Time on the present or prospective consolidated financial condition, business or operating results of Parent.

Section 8.02. *Additional Conditions to the Obligations of the Company.* The obligations of the Company to consummate the Merger are subject to the satisfaction of the following further conditions:

(a) (i) Parent shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time, (ii) the representations and warranties of Parent contained in this Agreement and in any certificate or other writing delivered by Parent pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or Parent Material Adverse Effect or any similar standard or qualification, shall be true at and as of the Effective Time as if made at and as of such time (other than representations or warranties that address matters only as of a certain date, which shall be true and correct as of such date), with only such exceptions as, individually or in the aggregate, have not had and would not reasonably be expected to have a Parent Material Adverse Effect and (iii) the Company shall have received a certificate signed by the chief executive officer and the chief financial officer of Parent to the foregoing effect;

(b) There shall not have occurred at any time after the date of this Agreement any change, effect, event, occurrence or state of facts that has had or would reasonably be expected to result in a Parent Material Adverse Effect; and

(c) the Company shall have received from Simpson Thacher & Bartlett LLP, counsel to the Company, a written opinion dated the Effective Time to the effect that for U.S. federal income tax purposes the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel to the Company shall be entitled to rely upon customary assumptions and representations reasonably satisfactory to such counsel, including representations set forth in certificates of officers of the Company and Parent.

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Section 8.03. *Additional Conditions to the Obligations of Parent and Merger Sub.* The obligations of Parent and Merger Sub to consummate the Merger are subject to the satisfaction of the following further conditions:

(a) (i) the Company shall have performed in all material respects all of its obligations hereunder required to be performed by it at or prior to the Effective Time, (ii) the representations and warranties of the Company contained in this Agreement and in any certificate or other writing delivered by the Company pursuant hereto, disregarding all qualifications and exceptions contained therein relating to materiality or the Company Material Adverse Effect or any similar standard or qualification, shall be true at and as of the Effective Time as if made at and as of such time (other than representations or warranties that address matters only as of a certain date, which shall be true and correct as of such date), with only such exceptions as, individually or in the aggregate, have not had and would not reasonably be expected to have a Company Material Adverse Effect and (iii) Parent shall have received a certificate signed by the chief executive officer and the chief financial officer of the Company to the foregoing effect;

(b) there shall not have occurred at any time after the date of this Agreement any change, effect, event, occurrence or state of facts that has had or would reasonably be expected to result in an the Company Material Adverse Effect; and

(c) Parent shall have received from Davis Polk & Wardwell, counsel to Parent, a written opinion dated the Effective Time to the effect that for U.S. federal income tax purposes the Merger will constitute a reorganization within the meaning of Section 368(a) of the Code. In rendering such opinion, counsel to Parent shall be entitled to rely upon customary assumptions and representations reasonably satisfactory to such counsel, including representations set forth in certificates of officers of the Company and Parent.

ARTICLE 9

TERMINATION

Section 9.01. *Termination.* This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time (notwithstanding any approval of the Agreement and the transactions contemplated hereby by the shareholders of Parent, Merger Sub or the Company):

(a) by mutual written agreement of the Company and Parent;

(b) by either the Company or Parent, if the Merger shall not have been consummated on or before November 30, 2004 (the **End Date**); *provided*, however, that the right to terminate this Agreement under this Section 9.01(b) shall not be available to any party whose breach of any provision of this Agreement results in the failure of the Merger to be consummated by such date;

(c) by either the Company or Parent, if the Company Shareholder Approval has not been obtained by reason of the failure to obtain the required vote at the Company Shareholder Meeting (or any adjournment or postponement thereof);

(d) by either the Company or Parent, if the Parent Shareholder Transaction Approval has not been obtained by reason of the failure to obtain the required vote at the Parent Shareholder Meeting (or any adjournment or postponement thereof);

(e) by the Company, if (i) Parent has made a Change in Recommendation or (ii) Parent shall have willfully and materially breached its obligations under Section 7.01 or Section 7.05; or

(f) by Parent, if (i) the Company has made a Change in Recommendation or (ii) the Company shall have willfully and materially breached its obligations under Section 7.01 or Section 7.05.

The party desiring to terminate this Agreement pursuant to this Section 9.01 (other than pursuant to Section 9.01(a)) shall give notice of such termination to the other party.

Section 9.02. *Effect of Termination.* If this Agreement is terminated pursuant to Section 9.01, except as otherwise provided in this Section 9.02 this Agreement shall become void and of no effect without liability

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of any party (or any shareholder, director, officer, employee, agent, consultant or representative of such party) to the other parties hereto; *provided* that, if such termination shall result from the willful or intentional (i) failure of either party to fulfill a condition to the performance of the obligations of the other party or (ii) failure of either party to perform a covenant hereof, such party shall be fully liable for any and all liabilities and damages incurred or suffered by the other party as a result of such failure. The provisions of this Section 9.02 and Sections 10.04, 10.06, 10.07 and 10.08 shall survive any termination hereof pursuant to Section 9.01.

ARTICLE 10

MISCELLANEOUS

Section 10.01. *Notices.* All notices, requests and other communications to any party hereunder shall be in writing (including facsimile transmission and electronic mail (**e-mail**) transmission, so long as a receipt of such e-mail is requested and received) and shall be given,

if to Parent, to:

The St. Paul Companies, Inc.
385 Washington Street
Saint Paul, MN 55102
Attention: John A. MacColl
Facsimile No.: (651) 310-7911
E-mail: john.maccoll@stpaul.com

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention: John R. Ettinger
John H. Butler
Facsimile No.: (212) 450-3800
E-mail: ettinger@dpw.com
john.butler@dpw.com

if to the Company, to:

Travelers Property Casualty Corp.
One Tower Square
Hartford, CT 06183
Attention: James Michener
Facsimile No.: (860) 277-8123
E-mail: jmichene@travelers.com

with a copy to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Attention: Philip T. Ruegger III
Alan D. Schnitzer
Facsimile No.: (212) 455-2502

E-mail: pruegger@stblaw.com

E-mail: aschnitzer@stblaw.com

or to such other address or facsimile number as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a Business Day in the place of receipt.

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Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding Business Day in the place of receipt.

Section 10.02. *Survival of Representations and Warranties.* The representations, warranties and agreements contained herein and in any certificate or other writing delivered pursuant hereto shall not survive the Effective Time, except for the agreements set forth in Sections 7.06, 9.02, 10.04, 10.06, 10.07 and 10.08.

Section 10.03. *Amendments and Waivers.* (a) Any provision of this Agreement may be amended or waived prior to the Effective Time if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each party to this Agreement or, in the case of a waiver, by each party against whom the waiver is to be effective; *provided* that, after the adoption of this Agreement by the shareholders of Parent or the Company, no such amendment or waiver may be made or given that requires the approval of the shareholders of Parent or the Company, respectively unless such required approval is obtained.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 10.04. *Expenses.* (a) Except as otherwise provided herein, all costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense; *provided*, that each of the Company and Parent shall pay 50% of (i) any fees and expenses (other than attorneys and accounting fees and expenses) incurred in connection with the printing, filing and mailing of the Registration Statement and the Joint Proxy Statement and (ii) fees and expenses incurred in connection with any consultants that the Company and Parent shall have agreed to retain to assist in obtaining the required approvals and clearances under applicable Laws.

(b) If (I) this Agreement is terminated pursuant to Section 9.01(b), (II) after the date hereof and prior to such termination a bona fide Acquisition Proposal with respect to the Company was made or renewed and not publicly withdrawn at least 20 days prior to such termination and (III) within 18 months following termination of this Agreement an Acquisition Proposal with respect to the Company is consummated or a definitive agreement for an Acquisition Proposal with respect to the Company is entered into, the Company shall pay to Parent a termination fee of $300,000,000 in cash (the **Company Termination Fee**).

(c) If (I) this Agreement is terminated pursuant to Section 9.01(b), (II) after the date hereof and prior to such termination a bona fide Acquisition Proposal with respect to Parent was made or renewed and not publicly withdrawn at least 20 days prior to such termination and (III) within 18 months following the termination of this Agreement an Acquisition Proposal with respect to Parent is consummated or a definitive agreement for an Acquisition Proposal with respect to Parent is entered into, Parent shall pay to the Company a termination fee of $300,000,000 in cash (the **Parent Termination Fee**).

(d) If (I) this Agreement is terminated pursuant to Section 9.01(c), (II) after the date hereof and prior to the Company Shareholder Meeting a bona fide Acquisition Proposal with respect to the Company was made or renewed and not publicly withdrawn at least 20 days prior to the Company Shareholder Meeting and (III) within 18 months following termination of this Agreement an Acquisition Proposal with respect to the Company is consummated or a definitive agreement for

an Acquisition Proposal with respect to the Company is entered into, the Company shall pay to Parent the Company Termination Fee.

(e) If (I) this Agreement is terminated pursuant to Section 9.01(d), (II) after the date hereof and prior to the Parent Shareholder Meeting a bona fide Acquisition Proposal with respect to Parent was made or renewed and not publicly withdrawn at least 20 days prior to the Parent Shareholder Meeting and (III) within 18 months following the termination of this Agreement an Acquisition Proposal with respect to Parent is consummated or a definitive agreement for an Acquisition Proposal with respect to Parent is entered into, Parent shall pay to the Company the Parent Termination Fee.

(f) If this Agreement is terminated pursuant to Section 9.01(e), Parent shall pay to the Company the Parent Termination Fee.

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(g) If this Agreement is terminated pursuant to Section 9.01(f), the Company shall pay to Parent the Company Termination Fee.

(h) Any payment of the Company Termination Fee or the Parent Termination Fee pursuant to this Section 10.04 shall be made within one Business Day after termination of this Agreement, except that any payment of the Company Termination Fee or the Parent Termination Fee pursuant to Section 10.04(b), 10.04(c), 10.04(d) or 10.04(e), as applicable, shall be made within one Business Day after such amount becomes payable. Any such payments shall be made by wire transfer of immediately available funds. The parties hereby acknowledge that the agreements contained in this Section 10.04 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, Parent and the Company would not enter into this Agreement. If Parent or the Company fails to pay to the other any fee or expense due hereunder when due, the defaulting party shall pay the costs and expenses (including legal fees and expenses) in connection with any action taken to collect payment (including the prosecution of any lawsuit or other legal action), together with interest on the amount of any unpaid fee at the publicly announced prime rate of Citibank, N.A. in New York City from the date such fee was first payable to the date it is paid.

Section 10.05. *Binding Effect; Assignment.* (a) The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Except as provided in Section 7.06, no provision of this Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any Person other than the parties hereto and their respective successors and assigns.

(b) No party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of each other party hereto.

Section 10.06. *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules of such state except to the extent that mandatory provisions of the CBCA are applicable.

Section 10.07. *Jurisdiction.* The parties hereto agree that any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in any federal court located in the State of New York or any New York state court, and each of the parties hereby irrevocably consents to the jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 10.01 shall be deemed effective service of process on such party.

Section 10.08. *WAIVER OF JURY TRIAL.* EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 10.09. *Counterparts; Effectiveness.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by all of the other parties hereto.

Section 10.10. *Entire Agreement.* This Agreement, together with the Confidentiality Agreement and the exhibits and schedules hereto, constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter of this Agreement.

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Section 10.11. *Severability.* If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such a determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 10.12. *Specific Performance.* The parties hereto agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement or to enforce specifically the performance of the terms and provisions hereof in any federal court located in the State of New York or any New York state court, in addition to any other remedy to which they are entitled at law or in equity.

Section 10.13. *Schedules.* Each of Parent and the Company has set forth certain information in its respective disclosure schedule in a section thereof that corresponds to the Section or portion of a Section of this Agreement to which it relates. A matter set forth in one section of a disclosure schedule need not be set forth in any other section of the disclosure schedule so long as its relevance to such other section of the disclosure schedule or Section of this Agreement is readily apparent on the face of the information disclosed in such disclosure schedule. The fact that any item of information is disclosed in a disclosure schedule shall not be construed to mean that such information is required to be disclosed by this Agreement. Any information or the dollar thresholds set forth in a disclosure schedule shall not be used as a basis for interpreting the terms material, Company Material Adverse Effect or Parent Material Adverse Effect or other similar terms this Agreement, except as otherwise expressly set forth in such disclosure schedule.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

THE ST. PAUL COMPANIES, INC.

By: /s/ JAY S. FISHMAN

Name: Jay S. Fishman
Title: Chairman, Chief Executive Officer and President

TRAVELERS PROPERTY CASUALTY CORP.

By: /s/ ROBERT I. LIPP

Name: Robert I. Lipp
Title: Chairman and Chief Executive Officer

ADAMS ACQUISITION CORP.

By: /s/ SAMUEL G. LISS

Name: Samuel G. Liss
Title: Executive Vice President

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APPENDIX B

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

THE ST. PAUL TRAVELERS COMPANIES, INC.

ARTICLE I

The name of the corporation (the **Corporation**) is The St. Paul Travelers Companies, Inc.

ARTICLE II

The address of the registered office of the Corporation is 385 Washington Street, St. Paul, Minnesota 55102.

ARTICLE III

The aggregate number of shares that the Corporation has authority to issue is one billion seven hundred fifty million shares which shall consist of five million undesignated shares and one billion seven hundred forty-five million shares of voting common stock. All shares of voting common stock shall have equal rights and preferences. The board of directors of the Corporation (the **Board of Directors** or **Board**) is authorized to establish, from the undesignated shares, one or more classes and series of shares, to designate each such class and series and to fix the relative rights and preferences of each such class and series, provided that in no event shall the Board of Directors fix a preference with respect to a distribution in liquidation in excess of $100 per share plus accrued and unpaid dividends, if any. No shares shall confer on the holder any right to cumulate votes in the election of Directors. All shareholders are denied preemptive rights, unless, with respect to some or all of the undesignated shares, the Board of Directors shall grant preemptive rights. The Corporation may, without any new or additional consideration, issue shares of voting common stock or any other class or series pro rata to the holders of the same or one or more other classes or series of shares.

ARTICLE IV

Commencing on January 1, 2006, an action, other than an action requiring shareholder approval, required or permitted to be taken at a Board meeting may be taken by written action signed, or consented to by authenticated electronic communication, by the number of Directors that would be required to act in taking the same action at a meeting of the Board at which all Directors were present.

ARTICLE V

Where shareholder approval, authorization or adoption is required by Chapter 302A, Minnesota Statutes, for any of the following transactions, the vote required for such approval, authorization or adoption shall be the affirmative vote of the holders of at least two-thirds of the voting power of all voting shares:

(a) Any plan of merger;

(b) Any plan of exchange;

(c) Any sale, lease, transfer or other disposition of all or substantially all of the Corporation s property and assets, including its good will, not in the usual and regular course of its business; or

(d) Any dissolution of the Corporation.

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The shareholder vote required for approval, authorization or adoption of an amendment to these Amended and Restated Articles of Incorporation (other than an amendment to this Article V) shall be the affirmative vote of the holders of at least a majority of the voting power of all voting shares. The shareholder vote required for approval, authorization or adoption of an amendment to this Article V shall be the affirmative vote of the holders of at least two-thirds of the voting power of all voting shares. The provisions of this Article V are not intended either to require that the holders of the shares of any class or series of shares vote separately as a class or series or to affect or increase any class or series vote requirement of Chapter 302A, Minnesota Statutes.

ARTICLE VI

A Director of the Corporation shall have no personal liability to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a Director, to the full extent such immunity is permitted from time to time under the Minnesota Business Corporation Act.

Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ARTICLE VII

Effective immediately at the date and time at which these Amended and Restated Articles of Incorporation become effective (the **Effective Time**), the Board of Directors shall consist of 23 Directors. Subject to the provisions of this Article VII, the number of Directors may be fixed by resolution of the Board of Directors from time to time, but in no event shall the number of Directors exceed 23.

During the period beginning at the Effective Time and ending on January 1, 2006 (the **Specified Period**), the following actions of the Board of Directors must be approved by at least two-thirds of the entire Board of Directors:

(a) removal of, or failure to re-elect (if such person is willing to serve), the individual holding the office of Chairman of the Board or Chief Executive Officer as of the Effective Time or any modification to either of their respective duties, authority or reporting relationships;

(b) any change in the size or chairmanship of the Board or any committee of the Board, in the responsibilities of, or the authority delegated to, any committee of the Board, or in the ratio of the number of Travelers Directors (as defined below) on the Board or any committee of the Board to the number of St. Paul Directors (as defined below) on the Board or any committee of the Board;

(c) any (i) statutory share exchange or merger of the Corporation or any of its subsidiaries with, into or involving a company that is larger than the Corporation (based upon any of market capitalization, revenues, or total assets at the time of Board action), (ii) sale of all or substantially all of the assets of the Corporation and its subsidiaries, taken as a whole or (iii) dissolution or liquidation of the Corporation;

(d) any change in the location of the principal executive offices of the Corporation; or

(e) the approval of any amendment of Article IV of these Amended and Restated Articles of Incorporation, this Article VII or Article V of the bylaws of the Corporation for submission to the shareholders of the Corporation or the approval by the Board of Directors of an amendment to Article V of the bylaws of the Corporation.

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In addition, during the Specified Period, the following actions must be approved by at least two-thirds of the entire Governance Committee of the Board of Directors:

(a) any nomination by the Governance Committee of individuals (i) for election to the Board of Directors by the shareholders of the Corporation or (ii) to fill newly created positions on the Board of Directors; or

(b) any recommendation by the Governance Committee to change (i) the size or chairmanship of the Board or any committee of the Board, (ii) the responsibilities of, or the authority delegated to, any committee of the Board, or (iii) the ratio of the number of Travelers Directors to the number of St. Paul Directors on the Board or any committee of the Board.

For purposes hereof:

St. Paul Directors means (i) those eleven Directors designated by the Corporation to serve as members of the Board as of the Effective Time pursuant to a contractual right of the Corporation to designate such Directors and (ii) any Replacement St. Paul Director.

Replacement St. Paul Director means a Director designated pursuant to Article V of the bylaws of the Corporation by the St. Paul Directors who are members of the Governance Committee of the Board of Directors of the Corporation (i) to fill a vacancy on the Board or (ii) to be nominated for election to the Board by the shareholders of the Corporation.

Travelers Directors means (i) those twelve Directors designated by Travelers Property Casualty Corp., a Connecticut corporation, to serve as members of the Board as of the Effective Time pursuant to a contractual right of Travelers Property Casualty Corp. to designate such Directors and (ii) any Replacement Travelers Director.

Replacement Travelers Director means a Director designated pursuant to Article V of the bylaws of the Corporation by the Travelers Directors who are members of the Governance Committee of the Board of Directors of the Corporation (i) to fill a vacancy on the Board or (ii) to be nominated for election to the Board by the shareholders of the Corporation.

[Statement with respect to Series B preferred stock follows]

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STATEMENT OF THE ST. PAUL TRAVELERS COMPANIES, INC.

WITH RESPECT TO

SERIES B CONVERTIBLE PREFERRED STOCK
Pursuant to Section 302A.401, Subd. 3(b)
of Minnesota Statutes

The undersigned officers of The St. Paul Travelers Companies, Inc. (the Corporation), being duly authorized by the Board of Directors of the Corporation, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation on January 24, 1990 pursuant to Minnesota Statutes, Section 302A.401, Subd. 3(a):

RESOLVED, That there is hereby established, out of the presently available undesignated shares of the Corporation, a series of Preferred Stock of the Corporation designated as stated below and having the relative rights and preferences that are set forth below (the Series):

1. Designation and Amount. The Series shall be designated as Series B Convertible Preferred Stock (the Series B Preferred). The number of shares constituting the Series shall be one million four hundred fifty thousand (1,450,000), which number may from time to time be decreased (but not below the number of shares then outstanding) by action of the Board of Directors of the Corporation (the Board of Directors). Shares of Series B Preferred shall have a preference upon liquidation, dissolution or winding up of the Corporation of One Hundred Dollars ($100.00) per share, which preference amount does not represent a determination by the Board of Directors for the purpose of the Corporation s capital accounts.

2. Rank. The Series B Preferred shall, with respect to dividend rights and rights on liquidation, winding up or dissolution of the Corporation, rank prior to the Corporation s Series A Junior Participating Preferred Stock and to the Corporation s voting common stock (the Common Stock)(together, the Junior Stock) and shall, with respect to dividend rights and rights on liquidation, winding up or dissolution of the Corporation, rank junior to all other classes and series of equity securities of the Corporation, now or hereafter authorized, issued or outstanding, other than any classes or series of equity securities of the Corporation ranking on a parity with the Series B Preferred as to dividend rights and rights upon liquidation, winding up or dissolution of the Corporation (the Parity Stock).

3. Dividends. (a) Holders of outstanding shares of Series B Preferred shall be entitled to receive, when, as and if declared by the Board of Directors, to the extent permitted by applicable law, cumulative quarterly cash dividends at the annual rate of Eleven and 724/1000 Dollars ($11.724) per share, in preference to and in priority over any dividends with respect to Junior Stock.

(b) Dividends on the outstanding shares of Series B Preferred shall begin to accrue and be cumulative (regardless of whether such dividends shall have been declared by the Board of Directors) from and including the date of original issuance of each share of the Series B Preferred, and shall be payable in arrears on January 17, April 17, July 17 and October 17 of each year (each of such dates a Dividend Payment Date), commencing April 17, 1990. Each such dividend shall be payable to the holder or holders of record as they appear on the stock books of the Corporation at the close of business on such record dates, not more than thirty (30) calendar days and not less than ten (10) calendar days preceding

the Dividend Payment Dates therefor, as are determined by the Board of Directors (each of such dates a Record Date). In any case where the date fixed fo any dividend payment with respect to the Series B Preferred shall not be a Business Day, then such payment need not be made on such date but may be made on the next preceding Business Day with the same force and effect as if made on the date fixed therefor, without interest.

(c) The amount of any dividends accumulated on any share of Series B Preferred at any Dividend Payment Date shall be deemed to be the amount of any unpaid dividends accrued thereon to and excluding such Dividend Payment Date regardless of whether declared, and the amount of dividends accumulated on any share of Series B Preferred at any date other than a Dividend Payment Date shall be calculated at the amount of any unpaid dividends accrued thereon to and excluding the last preceding

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Dividend Payment Date regardless of whether declared, plus an amount calculated on the basis of the annual dividend rate for the period from and including such last preceding Dividend Payment Date to and excluding the date as of which the calculation is made (regardless of whether declared). The amount of dividends payable with respect to a full dividend period on outstanding shares of Series B Preferred shall be computed by dividing the annual dividend rate by four and the amount of dividends payable for any period shorter than a full quarterly dividend period (including the initial dividend period) shall be computed on the basis of thirty (30)-day months, a three hundred sixty (360)-day year and the actual number of days elapsed in the period.

(d) So long as the shares of Series B Preferred shall be outstanding, if (i) the Corporation shall be in default or in arrears with respect to the payment of dividends (regardless of whether declared) on any outstanding shares of Series B Preferred or any other classes or series of equity securities of the Corporation other than Junior Stock or (ii) the Corporation shall be in default or in arrears with respect to the mandatory or optional redemption, purchase or other acquisition, retirement or other requirement of, or with respect to, any sinking or other similar fund or agreement for the redemption, purchase or other acquisition, retirement or other requirement of, or with respect to, any shares of the Series B Preferred or any other classes or series of equity securities of the Corporation other than Junior Stock, then the Corporation may not (A) declare, pay or set apart for payment any dividends on any shares of Junior Stock, or (B) make any payment on account of, or set apart payment for, the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any sinking or other similar fund or agreement for the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into Junior Stock, other than with respect to any rights that are now or in the future may be issued and outstanding under or pursuant to the Shareholder Protection Rights Agreement dated as of December 4, 1989 between the Corporation and First Chicago Trust Company of New York as Rights Agent, as it may be amended in any respect or extended from time to time or replaced by a new shareholders rights plan of any scope or nature (provided that in any amended or extended plan or in any replacement plan any redemption of rights feature permits only nominal redemption payments) (the Rights Agreement), or (C) make any distribution in respect of any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into Junior Stock, whether directly or indirectly, and whether in cash, obligations, or securities of the Corporation or other property, other than dividends or distributions of Junior Stock which is neither convertible into nor exchangeable or exercisable for any securities of the Corporation other than Junior Stock or rights, warrants, options or calls exercisable or exchangeable for or convertible into Junior Stock or (D) permit any corporation or other entity controlled directly or indirectly by the Corporation to purchase or otherwise acquire or redeem any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into shares of Junior Stock.

(e) Dividends in arrears with respect to the outstanding shares of Series B Preferred may be declared and paid or set apart for payment at any time and from time to time, without reference to any regular Dividend Payment Date, to the holder or holders of record as they appear on the stock books of the Corporation at the close of business on the Record Date established with respect to such payment in arrears. If there shall be outstanding shares of Parity Stock, and if the payment of dividends on any shares of the Series B Preferred or the Parity Stock is in arrears, the Corporation, in making any dividend payment on account of any shares of the Series B Preferred or Parity Stock, shall make such payment ratably upon all outstanding shares of the Series B Preferred and Parity Stock in

proportion to the respective amounts of accumulated dividends in arrears upon such shares of the Series B Preferred and Parity Stock to the date of such dividend payment. The Holder or holders of Series B Preferred shall not be entitled to any dividends, whether payable in cash, obligations or securities of the Corporation or other property, in excess of the accumulated dividends on shares of Series B Preferred. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend or other payment or payments which may be in arrears with respect to the Series B Preferred. All dividends paid with respect to the Series B Preferred shall be paid pro rata to the holders entitled thereto.

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(f) Subject to the foregoing provisions hereof and applicable law, the Board of Directors (i) may declare and the Corporation may pay or set apart for payment dividends on any Junior Stock or Parity Stock, (ii) may make any payment on account of or set apart payment for a sinking fund or other similar fund or agreement for the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, (iii) may make any distribution in respect to any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, whether directly or indirectly, and whether in cash, obligations or securities of the Corporation or other property and (iv) may purchase or otherwise acquire, redeem or retire any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, and the holder or holders of the Series B Preferred shall not be entitled to share therein.

4. Voting Rights. The holder or holders of Series B Preferred shall have no right to vote for any purpose, except as required by applicable law and except as provided in this Section 4.

(a) So long as any shares of Series B Preferred remain outstanding, the affirmative vote of the holder or holders of at least a majority (or such greater number as required by applicable law) of the votes entitled to be cast with respect to the then outstanding Series B Preferred, voting separately as one class, at a meeting duly held for that purpose, shall be necessary to repeal, amend or otherwise change any of the provisions of the articles of incorporation of the Corporation in any manner which materially and adversely affects the rights or preferences of the Series B Preferred. For purposes of the preceding sentence, the increase (including the creation or authorization) or decrease in the amount of authorized capital stock of any class or series (excluding the Series B Preferred) shall not be deemed to be an amendment which materially and adversely affects the rights or preferences of the Series B Preferred.

(b) The holder or holders of Series B Preferred shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock, voting together with the holders of Common Stock as if one class. Each share of Series B Preferred in such case shall be entitled to a number of votes equal to the number of shares of Common Stock into which such share of Series B Preferred could have been converted on the record date for determining the holders of Common Stock entitled to vote on a particular matter.

5. Optional Redemption. (a) The Series B Preferred shall be redeemable, in whole or in part at any time and from time to time, to the extent permitted by applicable law, at the option of the Corporation, (i) on or before December 31, 1994, if (A) there is a change in any statute, rule or regulation of the United States of America which has the effect of limiting or making unavailable to the Corporation all or any of the tax deductions for amounts paid (including dividends) on the Series B Preferred when such amounts are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series B Preferred are initially issued, or (B) the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of ss. 401(a) and ss. 4975(e)(7) of the Internal Revenue Code of 1986, as amended, or (C) the Plan is terminated by the Board of Directors or otherwise, at the greater of (1) $144.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption, or (2) the Fair Market Value of the Series B Preferred redeemed, or (ii) after December 31, 1994, at the following redemption prices per share if redeemed

during the twelve (12)-month period ending on and including December 31 in each of the following years:

Year	Redemption Price Per Share
1995	$149.52
1996	148.22
1997	146.92
1998	145.62
1999 and thereafter	144.30

plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption.

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(b) Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (d) of this Section S. On and after the date fixed for redemption, dividends on shares of Series B Preferred called for redemption shall cease to accrue, such shares shall no longer be deemed to be outstanding and all rights in respect of such shares shall cease, except the right to receive the redemption price.

(c) Unless otherwise required by law, notice of redemption shall be sent to the holder or holders of Series B Preferred at the address shown on the books of the Corporation by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preferred to be redeemed and, if fewer than all the shares are to be redeemed, the number of such shares to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue from and after such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the then current Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred at the time. Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the redemption price.

(d) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares to be valued for such purpose at the average Current Market Price for the five (5) consecutive trading days ending on the trading day next preceding the date of redemption.

6. Other Redemption Rights. Shares of Series B Preferred shall be redeemed by the Corporation at the option of the holder at any time and from time to time, to the extent permitted by applicable law, upon notice to the Corporation accompanied by the properly endorsed certificate or certificates given not less than five (5) Business Days prior to the date fixed by the holder in such notice for such redemption, when and to the extent necessary (a) for such holder to provide for distributions required to be made under The St. Paul Companies, Inc. Savings Plus Preferred Stock Ownership Plan and Trust, an employee stock ownership plan and trust within the meaning of ss. 4975(e)(7) of the Internal Revenue Code of 1986, as amended (the Plan and Trust), as the same may be amended, or any successor plans, or (b) for such holder to make payment of principal or interest due and payable (whether as scheduled or upon acceleration) on the 9.40% Note dated January 24, 1990, due January 31, 2005 made by Norwest Bank Minnesota, National Association, not individually but solely as Trustee for the Plan and Trust, payable to the order of St. Paul Fire and Marine Insurance Company or registered assigns, in the principal amount of One Hundred Fifty Million Dollars ($150,000,000) or other indebtedness of the Plan and Trust or if funds otherwise available are not adequate to make a required payment pursuant to such Note or other indebtedness, in each case at a redemption price of the greater of (1) $144.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption, or (2) the Fair Market Value of the Series B Preferred redeemed. Upon surrender of the shares to be redeemed, such shares shall be redeemed by the Corporation on the date fixed for redemption and at the applicable redemption price and such price shall be paid within five (5)

Business Days after such date of redemption, without interest. The terms and provisions of Sections 5(b) and 5(d) are applicable to any redemption under this Section 6.

7. Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holder or holders of outstanding shares of Series B Preferred shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, before any distribution of assets shall be made to the holders of shares of Junior Stock, an amount equal to One Hundred Dollars ($100.00) per share. If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the Series B Preferred and any Parity Stock are not paid in full, the holder or holders of the Series B Preferred and of such Parity Stock shall

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share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled. After payment to the holder or holders of the Series B Preferred of the full preferential amount provided for in this Section 7 and after the payment of any other preferential amounts to the holder or holders of other equity securities of the Corporation, the holder or holders of the Series B Preferred shall be entitled to share in distributions of any remaining assets with the holders of Common Stock, pro-rata on an as-if-converted basis, to the extent of $44.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for such distribution of assets. Written notice of any liquidation, dissolution or winding up of the Corporation shall be given to the holder or holders of Series B Preferred not less than twenty (20) days prior to the payment date. Neither the voluntary sale, conveyance exchange or transfer (for cash, securities or other consideration) of all or any part of the property or assets of the Corporation, nor the consolidation or merger or other business combination of the Corporation with or into any other corporation or corporations, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, unless such voluntary sale, conveyance, exchange or transfer shall be in connection with a plan of liquidation, dissolution or winding up of the Corporation.

8. Conversion Rights. (a) The holder of any Series B Preferred shall have the right, at the holder s option, at any time and from time to time, to convert any or all of such shares into the number of shares of Common Stock of the Corporation determined by dividing One Hundred Forty-four and 30/100 Dollars ($144.30) for each share of Series B Preferred to be converted by the then effective Conversion Price per share of Common Stock, except that if any shares of Series B Preferred are called for redemption by the Corporation or submitted for redemption by the holder thereof, according to the terms and provisions of this Resolution, the conversion rights pertaining to such shares shall terminate at the close of business on the date fixed for redemption (unless the Corporation defaults in the payment of the applicable redemption price). No fractional shares of Common Stock shall be issued upon conversion of Series B Preferred, but if such conversion results in a fraction, an amount shall be paid in cash by the Corporation to the converting holder equal to same fraction of the Current Market Price of the Common Stock on the effective date of the conversion.

(b) The initial conversion price, which is Seventy-two and 15/100 Dollars ($72.15) per share of Common Stock, shall be subject to appropriate adjustment from time to time as follows and such initial conversion price or the latest adjusted conversion price is referred to in this Resolution as the Conversion Price :

(i) In case the Corporation shall, at any time or from time to time while any of the shares of the Series B Preferred is outstanding (A) pay a dividend in shares of Common Stock, (B) subdivide outstanding shares of Common Stock into a larger number of shares or (C) combine outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such action shall be adjusted so that the holder of any shares of the Series B Preferred thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which such holder would have owned or have been entitled to receive immediately following such action had such shares of the Series B Preferred been converted immediately prior thereto. An adjustment made pursuant to this Section 8(b)(i) shall become effective retroactively to immediately after the record date for determination of the shareholders entitled to receive the dividend in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision or combination.

(ii) In case the Corporation shall, at any time or from time to time while any of the shares of the Series B Preferred is outstanding, distribute or issue rights, warrants, options or calls to all holders of shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into or exercisable or exchangeable for Common Stock), at a per share price less than the Current Market Price on the record date referred to below, the Conversion Price shall be adjusted so that it shall equal the Conversion Price determined by multiplying the Conversion Price in effect immediately prior to the record date of the distribution or issuance of such rights, warrants, options or calls by a fraction, the numerator of which shall be the number of shares of Common Stock

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outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered for subscription or purchase. For the purpose of this Section 8(b)(ii), the distribution or issuance of rights, warrants, options or calls to subscribe for or purchase securities convertible into Common Stock shall be deemed to be the issuance of rights, warrants, options or calls to purchase the shares of Common Stock into which such securities are convertible at an aggregate offering price equal to the aggregate offering price of such securities plus the minimum aggregate amount (if any) payable upon conversion of such securities into shares of Common Stock; *provided, however*, that if all of the shares of Common Stock subject to such rights, warrants, options or calls have not been issued when such rights, warrants, options or calls expire, then the Conversion Price shall promptly be readjusted to the Conversion Price which would then be in effect had the adjustment upon the distribution or issuance of such rights, warrants, options or calls been made on the basis of the actual number of shares of Common Stock issued upon the exercise of such rights, warrants, options or calls. An adjustment made pursuant to this Section 8(b)(ii) shall become effective retroactively immediately after the record date for the determination of shareholders entitled to receive such rights, warrants, options or calls. This Section 8(b)(ii) shall be inapplicable with respect to any rights issued or to be issued pursuant to or governed by the Rights Agreement.

(iii) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to (a) any right or warrant now or hereafter outstanding to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), (b) any rights issued or to be issued pursuant to or governed by the Rights Agreement and (c) any employee, officer or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the provisions of Sections 8(b)(v) and (vii), the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (x) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (y) the Fair Market value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time to time while any shares of Series B Preferred are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance (a) to holders of shares of Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation), (b) pursuant to any employee, officer or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, (c) of rights issued or to be issued pursuant to or governed by the Rights

Agreement and (d) which is covered by the terms and provisions of Section 8(b)(ii) hereof, for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-Dilutive Amount, then, subject to the provisions of Sections 8(b)(v) and (vii) hereof, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (I) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (II) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange or such right or warrant plus (III) the Fair

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Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (x) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (y) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(iv) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred are outstanding, make an Extraordinary Distribution in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (including a recapitalization or reclassification effected by a merger or consolidation to which Section 8(c) hereof does not apply) or effect a Pro Rata Repurchase of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to Sections 8(b)(v) and (vii) hereof, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is the difference between (a) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, and (b) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Dividend or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Corporation shall send each holder of Series B Preferred (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred may be converted at such time.

(v) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to this Section 8, the Board of Directors shall consider whether

such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors (which adjustment shall in no event adversely affect the rights or preferences of the Series B Preferred as set forth herein). The determination of the Board of Directors as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this Section 8(b)(v), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all shareholders of the Corporation.

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(vi) In addition to the foregoing adjustments, the Corporation may, but shall not be required to, make such adjustments in the Conversion Price as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall either not be taxable to the recipients or shall be taxable to the recipients to the minimum extent reasonable under the circumstances, as determined by the Board of Directors in its sole discretion.

(vii) In no event shall an adjustment in the Conversion Price be required unless such adjustment would result in an increase or decrease of at least one percent (1%) in the Conversion Price then in effect; *provided, however*, that any such adjustments that are not made shall be carried forward and taken into account in determining whether any subsequent adjustment is required. In no event shall the Conversion Price be adjusted to an amount less than any minimum required by law. Except as set forth in this Section 8, the Conversion Price shall not be adjusted for the issuance of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or carrying the right or option to purchase or otherwise acquire the foregoing, in exchange for cash, other property or services.

(viii) Whenever an adjustment in the Conversion Price is required, the Corporation shall forthwith place on file with its transfer agent (or if the Corporation performs the functions of a transfer agent, with the corporate secretary) a statement signed by its chief executive officer or a vice president and by its secretary, assistant secretary or treasurer, stating the adjusted Conversion Price determined as provided herein. Such statements shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment. As soon as practicable after the adjustment of the Conversion Price, the Corporation shall mail a notice thereof to each holder of shares of the Series B Preferred of such adjustment.

(ix) In the event that at any time, as a result of an adjustment made pursuant to this Section 8, the holder of any shares of Series B Preferred hereafter surrendered for conversion shall be entitled to receive any securities other than shares of Common Stock, thereafter the amount of such other securities so receivable upon conversion of any shares of Series B Preferred shall be subject to adjustment from time to time in a manner and on terms as nearly as equivalent as practicable to the provisions with respect to the Common Stock contained in this Section 8, and the provisions of this Section 8 with respect to the Common Stock shall apply on like terms to any such other securities.

(c) In case of any consolidation or merger of the Corporation with or into any other corporation (other than a merger in which the Corporation is the surviving corporation), or in case of any sale or transfer of substantially all the assets of the Corporation, or in case of reclassification, capital reorganization or change of outstanding shares of Common Stock (other than combinations or subdivisions described in Section 8(b)(i) and other than Extraordinary Distributions described in Section 8(b)(iv)), there shall be no adjustment to the Conversion Price then in effect, but appropriate provisions shall be made so that any holder of Series B Preferred shall be entitled, after the occurrence (or, if applicable, the record date) of any such event (Transaction), to receive on conversion the consideration whic the holder would have received had the holder converted such holder s Series B Preferred to Common Stock immediately prior to the occurrence of the Transaction and had such holder, if applicable, elected to receive the consideration in the form and manner elected by the plurality of the electing holders of Common Stock. In any such Transaction, effective provisions shall be made to ensure that the holder or holders of the Series B Preferred shall receive the consideration that they are entitled to receive pursuant to the provisions hereof, and in particular, as a condition to any consolidation or merger in which

the holders of securities into which the Series B Preferred is then convertible are entitled to receive equity securities of another corporation, such other corporation shall expressly assume the obligation to deliver, upon conversion of the Series B Preferred, such equity securities as the holder or holders of the Series B Preferred shall be entitled to receive pursuant to the provisions hereof. Notwithstanding the foregoing provisions of this Section 8(c), in the event the consideration to be received pursuant to the provisions hereof is not to be constituted solely of employer securities within the meaning of Section 409(l) of the Internal Revenue Code of 1986, as amended, or any successor provisions of law, and of a cash payment in lieu of any fractional securities, then the outstanding shares of Series B Preferred shall be deemed converted by virtue of the Transaction immediately prior to the

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consummation thereof into the number and kind of securities into which such shares of Series B Preferred could have been voluntarily converted at such time and such securities shall be entitled to participate fully in the Transaction as if such securities had been outstanding on the appropriate record, exchange or distribution date. In the event the Corporation shall enter into any agreement providing for any Transaction, then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) Business Days before consummation of the Transaction) give notice of such agreement and the material terms thereof to each holder of Series B Preferred and each such holder shall have the right, to the extent permitted by applicable law, to elect, by written notice to the Corporation, to receive, upon consummation of the Transaction (if and when the Transaction is consummated), from the Corporation or the successor of the Corporation, in redemption of such Series B Preferred, a cash payment per share equal to the amount determined according to the following table, with the redemption date to be deemed to be the same date that the Transaction giving rise to the redemption election is consummated:

Transaction Consummated In Year Ending December 31	Redemption Price Per Share
1990	$156.02
1991	154.72
1992	153.42
1993	152.12
1994	150.82
1995	149.52
1996	148.22
1997	146.92
1998	145.62
1999 and thereafter	144.30

plus accumulated and unpaid dividends, without interest, to and excluding such deemed redemption date. No such notice of redemption by the holder of Series B Preferred shall be effective unless given to the Corporation prior to the close of business at least two (2) Business Days prior to consummation of the Transaction.

(d) The holder or holders of Series B Preferred as they appear on the stock books of the Corporation at the close of business on a dividend payment Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the subsequent conversion thereof or the Corporation s default on payment of the dividend due on such Dividend Payment Date; *provided, however*, that the holder or holders of Series B Preferred subject to redemption on a redemption date after such Record Date and before such Dividend Payment Date shall not be entitled under this provision to receive such dividend on such Dividend Payment Date. However, shares of Series B Preferred surrendered for conversion during the period after any dividend payment Record Date and before the corresponding Dividend Payment Date (except shares subject to redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date. The holder or holders of Series B Preferred as they appear on the stock books of the Corporation at the close of business on a dividend payment Record Date who convert shares of Series B Preferred on a Dividend Payment Date shall be entitled to receive the dividend payable on such Series B Preferred by the Corporation on such Dividend Payment Date, and the converting holders need not include payment in the amount of such dividend upon surrender of shares of Series B Preferred for conversion. Except as provided above, the Corporation shall make

no payment or allowance for unpaid dividends (whether or not accumulated and in arrears) on converted shares or for dividends on the shares of Common Stock issuable upon such conversion.

(e) Each conversion of shares of Series B Preferred into shares of Common Stock shall be effected by the surrender of the certificate or certificates representing the shares to be converted, accompanied by

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instruments of transfer satisfactory to the Corporation and sufficient to transfer such shares to the Corporation free of any adverse claims (the Converting Shares), at the principal executive office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by written notice to the holder or holders of Series B Preferred) at any time during its respective usual business hours, together with written notice by the holder of such Converting Shares, stating that such holder desires to convert the Converting Shares, or a stated number of the shares represented by such certificate or certificates, into such number of shares of Common Stock into which such shares may be converted (the Converted Shares). Such notice shall also state the name o names (with addresses and federal taxpayer identification numbers) and denominations in which the certificate or certificates for the Converted Shares are to be issued, shall include instructions for the delivery thereof and shall include such other information as the Corporation or its agents may reasonably request. Promptly after such surrender and the receipt of such written notice and the receipt of any required transfer documents and payments representing dividends as described above, the Corporation shall issue and deliver in accordance with the surrendering holder s instructions the certificate or certificates evidencing the Converted Shares issuable upon such conversion, and the Corporation will deliver to the converting holder (without cost to the holder) a certificate (which shall contain such legends as were set forth on the surrendered certificate or certificates) representing any shares of Series B Preferred which were represented by the certificate or certificates that were delivered to the Corporation in connection with such conversion, but which were not converted.

(f) Such conversion, to the extent permitted by applicable law, shall be deemed to have been effected at the close of business on the date on which such certificate or certificates shall have been surrendered and such notice and any required transfer documents and payments representing dividends shall have been received by the Corporation, and at such time the rights of the holder of the Converting Shares as such holder shall cease, and the person or persons in whose name or names the certificate or certificates for the Converted Shares are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the Converted Shares. Upon issuance of shares in accordance herewith, such Converted Shares shall be deemed to be fully paid and nonassessable. From and after the effectiveness of any such conversion, shares of the Series B Preferred so converted shall, upon compliance with applicable law, be restored to the status of authorized but unissued undesignated shares, until such shares are once more designated as part of a particular series by the Board of Directors.

(g) Notwithstanding any provision herein to the contrary, the Corporation shall not be required to record the conversion of, and no holder of shares shall be entitled to convert, shares of Series B Preferred into shares of Common Stock unless such conversion is permitted under applicable law; *provided,* however, that the Corporation shall be entitled to rely without independent verification upon the representation of any holder that the conversion of shares by such holder is permitted under applicable law, and in no event shall the Corporation be liable to any such holder or any third party arising from any such conversion whether or not permitted by applicable law.

(h) The Corporation will pay any and all stamp, transfer or other similar taxes that may be payable in respect of the issuance or delivery of Common Stock received upon conversion of the shares of Series B Preferred, but shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance or delivery of Common Stock in a name other than that in which such shares of Series B Preferred were registered and no such issuance or delivery shall be made unless and until the person requesting such conversion shall have paid to the Corporation the amount of any and all such

taxes or shall have established to the satisfaction of the Corporation that such taxes have been paid in full.

(i) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued stock, for the purpose of effecting the conversion of the shares of the Series B Preferred, such number of its duly authorized shares of Common Stock or other securities as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series B Preferred.

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(j) Whenever the Corporation shall issue shares of Common Stock upon conversion of shares of Series B Preferred as contemplated by this Section 8, the Corporation shall issue together with each such share of Common Stock one Right (as defined in the Rights Agreement) pursuant to the terms and provisions of the Rights Agreement.

9. Transfer Restriction. Shares of Series B Preferred shall be issued only to the Plan and Trust and the certificate or certificates representing such shares so issued may be registered in the name of the Plan and Trust or in the name of one or more Trustees acting on behalf of the Plan and Trust (or the nominee name of any such trustee). In the event the Plan and Trust, acting through any such trustee or otherwise, should transfer beneficial or record ownership of one or more shares of Series B Preferred to any person or entity, the shares of Series B Preferred so transferred, upon such transfer and without any further action by the Corporation or the Plan and Trust or anyone else, shall be automatically converted, as of the time of such transfer, into shares of Common Stock on the terms otherwise provided for the voluntary conversion of shares of Series B Preferred into shares of Common Stock pursuant to Section 8 hereof and no transferee of such share or shares shall thereafter have or receive any of the rights and preferences of the shares of Series B Preferred so converted. Certificates representing shares of Series B Preferred shall be legended to reflect the aforesaid restriction on transfer. Shares of Series B Preferred may also be subject to restrictions on transfer which relate to the securities laws of the United States of America or any state or other jurisdiction thereof.

10. No other Rights. The shares of Series B Preferred shall not have any rights or preferences, except as set forth herein or as otherwise required by applicable law.

11. Rules and Regulations. The Board of Directors shall have the right and authority from time to time to prescribe rules and regulations as it may determine to be necessary or advisable in its sole discretion for the administration of the Series B Preferred in accordance with the foregoing provisions and applicable law.

12. Definitions. For purposes of this Resolution, the following definitions shall apply:

Adjustment Period shall mean the period of five (5) consecutive trading day preceding the date as of which the Fair Market Value of a security is to be determined.

Business Day shall mean each day that is not a Saturday, Sunday or a day or which state or federally chartered banking institutions in New York, New York are not required to be open.

Current Market Price of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for any day shall mean the last reported sales price, regular way, or, in the event that no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on a principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System (NASDAQ) or, if such security is not quoted on such National Market System,

the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors or a committee thereof.

Extraordinary Distribution shall mean any dividend or other distribution to holders of Common Stock (effected while any of the shares of Series B Preferred are outstanding) (i) of cash (other than a regularly scheduled quarterly dividend not exceeding 135% of the average quarterly dividend for the four quarters immediately preceding such dividend), where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of twelve (12) months, when combined with the aggregate amount of all

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Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds ten percent (10%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the day before the ex-dividend date with respect to such Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, and/or (ii) of any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in Section 8(b)(ii) or (iii) hereof), evidences of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation) or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of Section 8(b)(iv) hereof shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends (other than regularly scheduled dividends not exceeding 135% of the aggregate quarterly dividends for the preceding period of twelve (12) months) which are not Extraordinary Distributions made during such 12-month period and not previously included in the calculation of an adjustment pursuant to Section 8(b)(iv) hereof.

Fair Market Value shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The Fair Market Value of an security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors or such committee. The Fair Market Value of the Series B Preferred for purposes of Section 5(a) hereof and for purposes of Section 6 hereof shall be as determined by an independent appraiser, appointed by the Corporation in accordance with the provisions of the Plan and Trust, as of the most recent Valuation Date, as defined in the Plan and Trust.

Non-Dilutive Amount in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the difference between (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable securities), whether or not exercisable (or convertible or exchangeable) at such date, and (ii) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; *provided, however*, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

Pro Rata Repurchase shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of Series B Preferred are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the

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Exchange Act), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; *provided, however*, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this definition, shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof in open market transactions if they have been purchased substantially in accordance with the requirements of Rule 10b-18, as in effect under the Exchange Act, on the date shares of Series B Preferred are initially issued by the Corporation or on such other terms and conditions as the Board of Directors or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

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APPENDIX C

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

THE ST. PAUL TRAVELERS COMPANIES, INC.

ARTICLE I

The name of the corporation (the **Corporation**) is The St. Paul Travelers Companies, Inc.

ARTICLE II

The address of the registered office of the Corporation is 385 Washington Street, St. Paul, Minnesota 55102.

ARTICLE III

The aggregate number of shares that the Corporation has authority to issue is one billion seven hundred fifty million shares which shall consist of five million undesignated shares and one billion seven hundred forty-five million shares of voting common stock. All shares of voting common stock shall have equal rights and preferences. The board of directors of the Corporation (the **Board of Directors** or **Board**) is authorized to establish, from the undesignated shares, one or more classes and series of shares, to designate each such class and series and to fix the relative rights and preferences of each such class and series, provided that in no event shall the Board of Directors fix a preference with respect to a distribution in liquidation in excess of $100 per share plus accrued and unpaid dividends, if any. No shares shall confer on the holder any right to cumulate votes in the election of Directors. All shareholders are denied preemptive rights, unless, with respect to some or all of the undesignated shares, the Board of Directors shall grant preemptive rights. The Corporation may, without any new or additional consideration, issue shares of voting common stock or any other class or series pro rata to the holders of the same or one or more other classes or series of shares.

ARTICLE IV

Commencing on January 1, 2006, an action, other than an action requiring shareholder approval, required or permitted to be taken at a Board meeting may be taken by written action signed, or consented to by authenticated electronic communication, by the number of Directors that would be required to act in taking the same action at a meeting of the Board at which all Directors were present.

ARTICLE V

A Director of the Corporation shall have no personal liability to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a Director, to the full extent such immunity is permitted from time to time under the Minnesota Business Corporation Act.

Any repeal or modification of the foregoing paragraph by the shareholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ARTICLE VI

Effective immediately at the date and time at which these Amended and Restated Articles of Incorporation become effective (the **Effective Time**), the Board of Directors shall consist of 23 Directors. Subject to the provisions of this Article VI, the number of Directors may be fixed by resolution of the Board of Directors from time to time, but in no event shall the number of Directors exceed 23.

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During the period beginning at the Effective Time and ending on January 1, 2006 (the *Specified Period*), the following actions of the Board of Directors must be approved by at least two-thirds of the entire Board of Directors:

(a) removal of, or failure to re-elect (if such person is willing to serve), the individual holding the office of Chairman of the Board or Chief Executive Officer as of the Effective Time or any modification to either of their respective duties, authority or reporting relationships;

(b) any change in the size or chairmanship of the Board or any committee of the Board, in the responsibilities of, or the authority delegated to, any committee of the Board, or in the ratio of the number of Travelers Directors (as defined below) on the Board or any committee of the Board to the number of St. Paul Directors (as defined below) on the Board or any committee of the Board;

(c) any (i) statutory share exchange or merger of the Corporation or any of its subsidiaries with, into or involving a company that is larger than the Corporation (based upon any of market capitalization, revenues, or total assets at the time of Board action), (ii) sale of all or substantially all of the assets of the Corporation and its subsidiaries, taken as a whole or (iii) dissolution or liquidation of the Corporation;

(d) any change in the location of the principal executive offices of the Corporation; or

(e) the approval of any amendment of Article IV of these Amended and Restated Articles of Incorporation, this Article VI or Article V of the bylaws of the Corporation for submission to the shareholders of the Corporation or the approval by the Board of Directors of an amendment to Article V of the bylaws of the Corporation.

In addition, during the Specified Period, the following actions must be approved by at least two-thirds of the entire Governance Committee of the Board of Directors:

(a) any nomination by the Governance Committee of individuals (i) for election to the Board of Directors by the shareholders of the Corporation or (ii) to fill newly created positions on the Board of Directors; or

(b) any recommendation by the Governance Committee to change (i) the size or chairmanship of the Board or any committee of the Board, (ii) the responsibilities of, or the authority delegated to, any committee of the Board, or (iii) the ratio of the number of Travelers Directors to the number of St. Paul Directors on the Board or any committee of the Board.

For purposes hereof:

St. Paul Directors means (i) those eleven Directors designated by the Corporation to serve as members of the Board as of the Effective Time pursuant to a contractual right of the Corporation to designate such Directors and (ii) any Replacement St. Paul Director.

Replacement St. Paul Director means a Director designated pursuant to Article V of the bylaws of the Corporation by the St. Paul Directors who are members of the Governance Committee of the Board of Directors of the

Corporation (i) to fill a vacancy on the Board or (ii) to be nominated for election to the Board by the shareholders of the Corporation.

Travelers Directors means (i) those twelve Directors designated by Travelers Property Casualty Corp., a Connecticut corporation, to serve as members of the Board as of the Effective Time pursuant to a contractual right of Travelers Property Casualty Corp. to designate such Directors and (ii) any Replacement Travelers Director.

Replacement Travelers Director means a Director designated pursuant to Article V of the bylaws of the Corporation by the Travelers Directors who are members of the Governance Committee of the Board of Directors of the Corporation (i) to fill a vacancy on the Board or (ii) to be nominated for election to the Board by the shareholders of the Corporation.

[Statement with respect to Series B preferred stock follows]

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STATEMENT OF THE ST. PAUL TRAVELERS COMPANIES, INC.

WITH RESPECT TO

SERIES B CONVERTIBLE PREFERRED STOCK
Pursuant to Section 302A.401, Subd. 3(b)
of Minnesota Statutes

The undersigned officers of The St. Paul Travelers Companies, Inc. (the Corporation), being duly authorized by the Board of Directors of the Corporation, do hereby certify that the following resolution was duly adopted by the Board of Directors of the Corporation on January 24, 1990 pursuant to Minnesota Statutes, Section 302A.401, Subd. 3(a):

RESOLVED, That there is hereby established, out of the presently available undesignated shares of the Corporation, a series of Preferred Stock of the Corporation designated as stated below and having the relative rights and preferences that are set forth below (the Series):

1. Designation and Amount. The Series shall be designated as Series B Convertible Preferred Stock (the Series B Preferred). The number of shares constituting the Series shall be one million four hundred fifty thousand (1,450,000), which number may from time to time be decreased (but not below the number of shares then outstanding) by action of the Board of Directors of the Corporation (the Board of Directors). Shares of Series B Preferred shall have a preference upon liquidation, dissolution or winding up of the Corporation of One Hundred Dollars ($100.00) per share, which preference amount does not represent a determination by the Board of Directors for the purpose of the Corporation s capital accounts.

2. Rank. The Series B Preferred shall, with respect to dividend rights and rights on liquidation, winding up or dissolution of the Corporation, rank prior to the Corporation s Series A Junior Participating Preferred Stock and to the Corporation s voting common stock (the Common Stock)(together, the Junior Stock) and shall, with respect to dividend rights and rights on liquidation, winding up or dissolution of the Corporation, rank junior to all other classes and series of equity securities of the Corporation, now or hereafter authorized, issued or outstanding, other than any classes or series of equity securities of the Corporation ranking on a parity with the Series B Preferred as to dividend rights and rights upon liquidation, winding up or dissolution of the Corporation (the Parity Stock).

3. Dividends. (a) Holders of outstanding shares of Series B Preferred shall be entitled to receive, when, as and if declared by the Board of Directors, to the extent permitted by applicable law, cumulative quarterly cash dividends at the annual rate of Eleven and 724/1000 Dollars ($11.724) per share, in preference to and in priority over any dividends with respect to Junior Stock.

(b) Dividends on the outstanding shares of Series B Preferred shall begin to accrue and be cumulative (regardless of whether such dividends shall have been declared by the Board of Directors) from and including the date of original issuance of each share of the Series B Preferred, and shall be payable in arrears on January 17, April 17, July 17 and October 17 of each year (each of such dates a Dividend Payment Date), commencing April 17, 1990. Each such dividend shall be payable to the holder or holders of record as they appear on the stock books of the Corporation at the close of business on such record dates, not more than thirty (30) calendar days and not less than ten (10) calendar days preceding

the Dividend Payment Dates therefor, as are determined by the Board of Directors (each of such dates a Record Date). In any case where the date fixed fo any dividend payment with respect to the Series B Preferred shall not be a Business Day, then such payment need not be made on such date but may be made on the next preceding Business Day with the same force and effect as if made on the date fixed therefor, without interest.

(c) The amount of any dividends accumulated on any share of Series B Preferred at any Dividend Payment Date shall be deemed to be the amount of any unpaid dividends accrued thereon to and excluding such Dividend Payment Date regardless of whether declared, and the amount of dividends accumulated on any share of Series B Preferred at any date other than a Dividend Payment Date shall be calculated at the amount of any unpaid dividends accrued thereon to and excluding the last preceding

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Dividend Payment Date regardless of whether declared, plus an amount calculated on the basis of the annual dividend rate for the period from and including such last preceding Dividend Payment Date to and excluding the date as of which the calculation is made (regardless of whether declared). The amount of dividends payable with respect to a full dividend period on outstanding shares of Series B Preferred shall be computed by dividing the annual dividend rate by four and the amount of dividends payable for any period shorter than a full quarterly dividend period (including the initial dividend period) shall be computed on the basis of thirty (30)-day months, a three hundred sixty (360)-day year and the actual number of days elapsed in the period.

(d) So long as the shares of Series B Preferred shall be outstanding, if (i) the Corporation shall be in default or in arrears with respect to the payment of dividends (regardless of whether declared) on any outstanding shares of Series B Preferred or any other classes or series of equity securities of the Corporation other than Junior Stock or (ii) the Corporation shall be in default or in arrears with respect to the mandatory or optional redemption, purchase or other acquisition, retirement or other requirement of, or with respect to, any sinking or other similar fund or agreement for the redemption, purchase or other acquisition, retirement or other requirement of, or with respect to, any shares of the Series B Preferred or any other classes or series of equity securities of the Corporation other than Junior Stock, then the Corporation may not (A) declare, pay or set apart for payment any dividends on any shares of Junior Stock, or (B) make any payment on account of, or set apart payment for, the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any sinking or other similar fund or agreement for the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into Junior Stock, other than with respect to any rights that are now or in the future may be issued and outstanding under or pursuant to the Shareholder Protection Rights Agreement dated as of December 4, 1989 between the Corporation and First Chicago Trust Company of New York as Rights Agent, as it may be amended in any respect or extended from time to time or replaced by a new shareholders rights plan of any scope or nature (provided that in any amended or extended plan or in any replacement plan any redemption of rights feature permits only nominal redemption payments) (the Rights Agreement), or (C) make any distribution in respect of any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into Junior Stock, whether directly or indirectly, and whether in cash, obligations, or securities of the Corporation or other property, other than dividends or distributions of Junior Stock which is neither convertible into nor exchangeable or exercisable for any securities of the Corporation other than Junior Stock or rights, warrants, options or calls exercisable or exchangeable for or convertible into Junior Stock or (D) permit any corporation or other entity controlled directly or indirectly by the Corporation to purchase or otherwise acquire or redeem any shares of Junior Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into shares of Junior Stock.

(e) Dividends in arrears with respect to the outstanding shares of Series B Preferred may be declared and paid or set apart for payment at any time and from time to time, without reference to any regular Dividend Payment Date, to the holder or holders of record as they appear on the stock books of the Corporation at the close of business on the Record Date established with respect to such payment in arrears. If there shall be outstanding shares of Parity Stock, and if the payment of dividends on any shares of the Series B Preferred or the Parity Stock is in arrears, the Corporation, in making any dividend payment on account of any shares of the Series B Preferred or Parity Stock, shall make such payment ratably upon all outstanding shares of the Series B Preferred and Parity Stock in

proportion to the respective amounts of accumulated dividends in arrears upon such shares of the Series B Preferred and Parity Stock to the date of such dividend payment. The Holder or holders of Series B Preferred shall not be entitled to any dividends, whether payable in cash, obligations or securities of the Corporation or other property, in excess of the accumulated dividends on shares of Series B Preferred. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend or other payment or payments which may be in arrears with respect to the Series B Preferred. All dividends paid with respect to the Series B Preferred shall be paid pro rata to the holders entitled thereto.

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(f) Subject to the foregoing provisions hereof and applicable law, the Board of Directors (i) may declare and the Corporation may pay or set apart for payment dividends on any Junior Stock or Parity Stock, (ii) may make any payment on account of or set apart payment for a sinking fund or other similar fund or agreement for the purchase or other acquisition, redemption, retirement or other requirement of, or with respect to, any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, (iii) may make any distribution in respect to any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, whether directly or indirectly, and whether in cash, obligations or securities of the Corporation or other property and (iv) may purchase or otherwise acquire, redeem or retire any Junior Stock or Parity Stock or any warrants, rights, calls or options exercisable or exchangeable for or convertible into any Junior Stock or Parity Stock, and the holder or holders of the Series B Preferred shall not be entitled to share therein.

4. Voting Rights. The holder or holders of Series B Preferred shall have no right to vote for any purpose, except as required by applicable law and except as provided in this Section 4.

(a) So long as any shares of Series B Preferred remain outstanding, the affirmative vote of the holder or holders of at least a majority (or such greater number as required by applicable law) of the votes entitled to be cast with respect to the then outstanding Series B Preferred, voting separately as one class, at a meeting duly held for that purpose, shall be necessary to repeal, amend or otherwise change any of the provisions of the articles of incorporation of the Corporation in any manner which materially and adversely affects the rights or preferences of the Series B Preferred. For purposes of the preceding sentence, the increase (including the creation or authorization) or decrease in the amount of authorized capital stock of any class or series (excluding the Series B Preferred) shall not be deemed to be an amendment which materially and adversely affects the rights or preferences of the Series B Preferred.

(b) The holder or holders of Series B Preferred shall be entitled to vote on all matters submitted to a vote of the holders of Common Stock, voting together with the holders of Common Stock as if one class. Each share of Series B Preferred in such case shall be entitled to a number of votes equal to the number of shares of Common Stock into which such share of Series B Preferred could have been converted on the record date for determining the holders of Common Stock entitled to vote on a particular matter.

5. Optional Redemption. (a) The Series B Preferred shall be redeemable, in whole or in part at any time and from time to time, to the extent permitted by applicable law, at the option of the Corporation, (i) on or before December 31, 1994, if (A) there is a change in any statute, rule or regulation of the United States of America which has the effect of limiting or making unavailable to the Corporation all or any of the tax deductions for amounts paid (including dividends) on the Series B Preferred when such amounts are used as provided under Section 404(k)(2) of the Internal Revenue Code of 1986, as amended and in effect on the date shares of Series B Preferred are initially issued, or (B) the Plan is not initially determined by the Internal Revenue Service to be qualified within the meaning of ss. 401(a) and ss. 4975(e)(7) of the Internal Revenue Code of 1986, as amended, or (C) the Plan is terminated by the Board of Directors or otherwise, at the greater of (1) $144.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption, or (2) the Fair Market Value of the Series B Preferred redeemed, or (ii) after December 31, 1994, at the

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following redemption prices per share if redeemed during the twelve (12)-month period ending on and including December 31 in each of the following years:

Year	Redemption Price Per Share
1995	$149.52
1996	148.22
1997	146.92
1998	145.62
1999 and thereafter	144.30

plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption.

(b) Payment of the redemption price shall be made by the Corporation in cash or shares of Common Stock, or a combination thereof, as permitted by paragraph (d) of this Section S. On and after the date fixed for redemption, dividends on shares of Series B Preferred called for redemption shall cease to accrue, such shares shall no longer be deemed to be outstanding and all rights in respect of such shares shall cease, except the right to receive the redemption price.

(c) Unless otherwise required by law, notice of redemption shall be sent to the holder or holders of Series B Preferred at the address shown on the books of the Corporation by first class mail, postage prepaid, mailed not less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Each such notice shall state: (i) the redemption date; (ii) the total number of shares of the Series B Preferred to be redeemed and, if fewer than all the shares are to be redeemed, the number of such shares to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue from and after such redemption date; and (vi) the conversion rights of the shares to be redeemed, the period within which conversion rights may be exercised, and the then current Conversion Price and number of shares of Common Stock issuable upon conversion of a share of Series B Preferred at the time. Upon surrender of the certificates for any shares so called for redemption and not previously converted (properly endorsed or assigned for transfer, if the Board of Directors shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the date fixed for redemption and at the redemption price.

(d) The Corporation, at its option, may make payment of the redemption price required upon redemption of shares of Series B Preferred in cash or in shares of Common Stock, or in a combination of such shares and cash, any such shares to be valued for such purpose at the average Current Market Price for the five (5) consecutive trading days ending on the trading day next preceding the date of redemption.

6. Other Redemption Rights. Shares of Series B Preferred shall be redeemed by the Corporation at the option of the holder at any time and from time to time, to the extent permitted by applicable law, upon notice to the Corporation accompanied by the properly endorsed certificate or certificates given not less than five (5) Business Days prior to the date fixed by the holder in such notice for such redemption, when and to the extent necessary (a) for such holder to provide for distributions required to be made under The St. Paul Companies, Inc. Savings Plus Preferred Stock Ownership Plan and Trust, an employee stock ownership plan and trust within the meaning of ss. 4975(e)(7) of the Internal Revenue Code

of 1986, as amended (the Plan and Trust), as the same may be amended, or any successor plans, or (b) for such holder to make payment of principal or interest due and payable (whether as scheduled or upon acceleration) on the 9.40% Note dated January 24, 1990, due January 31, 2005 made by Norwest Bank Minnesota, National Association, not individually but solely as Trustee for the Plan and Trust, payable to the order of St. Paul Fire and Marine Insurance Company or registered assigns, in the principal amount of One Hundred Fifty Million Dollars ($150,000,000) or other indebtedness of the Plan and Trust or if funds otherwise available are not adequate to make a required payment pursuant to such Note or other indebtedness, in each case at a redemption price of the greater of (1) $144.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for redemption,

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or (2) the Fair Market Value of the Series B Preferred redeemed. Upon surrender of the shares to be redeemed, such shares shall be redeemed by the Corporation on the date fixed for redemption and at the applicable redemption price and such price shall be paid within five (5) Business Days after such date of redemption, without interest. The terms and provisions of Sections 5(b) and 5(d) are applicable to any redemption under this Section 6.

7. Liquidation Preference. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holder or holders of outstanding shares of Series B Preferred shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, before any distribution of assets shall be made to the holders of shares of Junior Stock, an amount equal to One Hundred Dollars ($100.00) per share. If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the amounts payable with respect to the Series B Preferred and any Parity Stock are not paid in full, the holder or holders of the Series B Preferred and of such Parity Stock shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled. After payment to the holder or holders of the Series B Preferred of the full preferential amount provided for in this Section 7 and after the payment of any other preferential amounts to the holder or holders of other equity securities of the Corporation, the holder or holders of the Series B Preferred shall be entitled to share in distributions of any remaining assets with the holders of Common Stock, pro-rata on an as-if-converted basis, to the extent of $44.30 per share plus accumulated and unpaid dividends, without interest, to and excluding the date fixed for such distribution of assets. Written notice of any liquidation, dissolution or winding up of the Corporation shall be given to the holder or holders of Series B Preferred not less than twenty (20) days prior to the payment date. Neither the voluntary sale, conveyance exchange or transfer (for cash, securities or other consideration) of all or any part of the property or assets of the Corporation, nor the consolidation or merger or other business combination of the Corporation with or into any other corporation or corporations, shall be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, unless such voluntary sale, conveyance, exchange or transfer shall be in connection with a plan of liquidation, dissolution or winding up of the Corporation.

8. Conversion Rights. (a) The holder of any Series B Preferred shall have the right, at the holder s option, at any time and from time to time, to convert any or all of such shares into the number of shares of Common Stock of the Corporation determined by dividing One Hundred Forty-four and 30/100 Dollars ($144.30) for each share of Series B Preferred to be converted by the then effective Conversion Price per share of Common Stock, except that if any shares of Series B Preferred are called for redemption by the Corporation or submitted for redemption by the holder thereof, according to the terms and provisions of this Resolution, the conversion rights pertaining to such shares shall terminate at the close of business on the date fixed for redemption (unless the Corporation defaults in the payment of the applicable redemption price). No fractional shares of Common Stock shall be issued upon conversion of Series B Preferred, but if such conversion results in a fraction, an amount shall be paid in cash by the Corporation to the converting holder equal to same fraction of the Current Market Price of the Common Stock on the effective date of the conversion.

(b) The initial conversion price, which is Seventy-two and 15/100 Dollars ($72.15) per share of Common Stock, shall be subject to appropriate adjustment from time to time as follows and such initial conversion price or the latest adjusted conversion price is referred to in this Resolution as the Conversion Price :

(i) In case the Corporation shall, at any time or from time to time while any of the shares of the Series B Preferred is outstanding (A) pay a dividend in shares of Common Stock, (B) subdivide outstanding shares of Common Stock into a larger number of shares or (C) combine outstanding shares of Common Stock into a smaller number of shares, the Conversion Price in effect immediately prior to such action shall be adjusted so that the holder of any shares of the Series B Preferred thereafter surrendered for conversion shall be entitled to receive the number of shares of Common Stock of the Corporation which such holder would have owned or have been entitled to receive immediately following such action had such shares of the Series B Preferred been converted immediately prior thereto. An

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adjustment made pursuant to this Section 8(b)(i) shall become effective retroactively to immediately after the record date for determination of the shareholders entitled to receive the dividend in the case of a dividend and shall become effective immediately after the effective date in the case of a subdivision or combination.

(ii) In case the Corporation shall, at any time or from time to time while any of the shares of the Series B Preferred is outstanding, distribute or issue rights, warrants, options or calls to all holders of shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock (or securities convertible into or exercisable or exchangeable for Common Stock), at a per share price less than the Current Market Price on the record date referred to below, the Conversion Price shall be adjusted so that it shall equal the Conversion Price determined by multiplying the Conversion Price in effect immediately prior to the record date of the distribution or issuance of such rights, warrants, options or calls by a fraction, the numerator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of shares which the aggregate offering price of the total number of shares of Common Stock so offered would purchase at such Current Market Price, and the denominator of which shall be the number of shares of Common Stock outstanding on such record date plus the number of additional shares of Common Stock offered for subscription or purchase. For the purpose of this Section 8(b)(ii), the distribution or issuance of rights, warrants, options or calls to subscribe for or purchase securities convertible into Common Stock shall be deemed to be the issuance of rights, warrants, options or calls to purchase the shares of Common Stock into which such securities are convertible at an aggregate offering price equal to the aggregate offering price of such securities plus the minimum aggregate amount (if any) payable upon conversion of such securities into shares of Common Stock; *provided, however*, that if all of the shares of Common Stock subject to such rights, warrants, options or calls have not been issued when such rights, warrants, options or calls expire, then the Conversion Price shall promptly be readjusted to the Conversion Price which would then be in effect had the adjustment upon the distribution or issuance of such rights, warrants, options or calls been made on the basis of the actual number of shares of Common Stock issued upon the exercise of such rights, warrants, options or calls. An adjustment made pursuant to this Section 8(b)(ii) shall become effective retroactively immediately after the record date for the determination of shareholders entitled to receive such rights, warrants, options or calls. This Section 8(b)(ii) shall be inapplicable with respect to any rights issued or to be issued pursuant to or governed by the Rights Agreement.

(iii) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred are outstanding, issue, sell or exchange shares of Common Stock (other than pursuant to (a) any right or warrant now or hereafter outstanding to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), (b) any rights issued or to be issued pursuant to or governed by the Rights Agreement and (c) any employee, officer or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted) for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Fair Market Value of such shares on the date of issuance, sale or exchange, then, subject to the provisions of Sections 8(b)(v) and (vii), the Conversion Price shall be adjusted by multiplying such Conversion Price by the fraction the numerator of which shall be the sum of (x) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (y) the Fair Market value of the consideration received by the Corporation in respect of such issuance, sale or exchange of shares of Common

Stock, and the denominator of which shall be the product of (a) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (b) the sum of the number of shares of Common Stock outstanding on such day plus the number of shares of Common Stock so issued, sold or exchanged by the Corporation. In the event the Corporation shall, at any time or from time to time while any shares of Series B Preferred are outstanding, issue, sell or exchange any right or warrant to purchase or acquire shares of Common Stock (including as such a right or warrant any security convertible into or exchangeable for shares of Common Stock), other than any such issuance (a) to holders of shares of

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Common Stock as a dividend or distribution (including by way of a reclassification of shares or a recapitalization of the Corporation), (b) pursuant to any employee, officer or director incentive or benefit plan or arrangement (including any employment, severance or consulting agreement) of the Corporation or any subsidiary of the Corporation heretofore or hereafter adopted, (c) of rights issued or to be issued pursuant to or governed by the Rights Agreement and (d) which is covered by the terms and provisions of Section 8(b)(ii) hereof, for a consideration having a Fair Market Value, on the date of such issuance, sale or exchange, less than the Non-Dilutive Amount, then, subject to the provisions of Sections 8(b)(v) and (vii) hereof, the Conversion Price shall be adjusted by multiplying such Conversion Price by a fraction the numerator of which shall be the sum of (I) the Fair Market Value of all the shares of Common Stock outstanding on the day immediately preceding the first public announcement of such issuance, sale or exchange plus (II) the Fair Market Value of the consideration received by the Corporation in respect of such issuance, sale or exchange or such right or warrant plus (III) the Fair Market Value at the time of such issuance of the consideration which the Corporation would receive upon exercise in full of all such rights or warrants, and the denominator of which shall be the product of (x) the Fair Market Value of a share of Common Stock on the day immediately preceding the first public announcement of such issuance, sale or exchange multiplied by (y) the sum of the number of shares of Common Stock outstanding on such day plus the maximum number of shares of Common Stock which could be acquired pursuant to such right or warrant at the time of the issuance, sale or exchange of such right or warrant (assuming shares of Common Stock could be acquired pursuant to such right or warrant at such time).

(iv) In the event the Corporation shall, at any time or from time to time while any of the shares of Series B Preferred are outstanding, make an Extraordinary Distribution in respect of the Common Stock, whether by dividend, distribution, reclassification of shares or recapitalization of the Corporation (including a recapitalization or reclassification effected by a merger or consolidation to which Section 8(c) hereof does not apply) or effect a Pro Rata Repurchase of Common Stock, the Conversion Price in effect immediately prior to such Extraordinary Distribution or Pro Rata Repurchase shall, subject to Sections 8(b)(v) and (vii) hereof, be adjusted by multiplying such Conversion Price by the fraction the numerator of which is the difference between (a) the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Distribution or Pro Rata Repurchase multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase, or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be, and (b) the Fair Market Value of the Extraordinary Distribution or the aggregate purchase price of the Pro Rata Repurchase, as the case may be, and the denominator of which shall be the product of (x) the number of shares of Common Stock outstanding immediately before such Extraordinary Dividend or Pro Rata Repurchase minus, in the case of a Pro Rata Repurchase, the number of shares of Common Stock repurchased by the Corporation multiplied by (y) the Fair Market Value of a share of Common Stock on the day before the ex-dividend date with respect to an Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, or on the applicable expiration date (including all extensions thereof) of any tender offer which is a Pro Rata Repurchase or on the date of purchase with respect to any Pro Rata Repurchase which is not a tender offer, as the case may be. The Corporation shall send each holder of Series B Preferred (i) notice of its intent to make any dividend or distribution and (ii) notice of any offer by the Corporation to make a Pro Rata Repurchase, in each case at the same

time as, or as soon as practicable after, such offer is first communicated (including by announcement of a record date in accordance with the rules of any stock exchange on which the Common Stock is listed or admitted to trading) to holders of Common Stock. Such notice shall indicate the intended record date and the amount and nature of such dividend or distribution, or the number of shares subject to such offer for a Pro Rata Repurchase and the purchase price payable by the Corporation pursuant to such offer, as well as the Conversion Price and the number of shares of Common Stock into which a share of Series B Preferred may be converted at such time.

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(v) If the Corporation shall make any dividend or distribution on the Common Stock or issue any Common Stock, other capital stock or other security of the Corporation or any rights or warrants to purchase or acquire any such security, which transaction does not result in an adjustment to the Conversion Price pursuant to this Section 8, the Board of Directors shall consider whether such action is of such a nature that an adjustment to the Conversion Price should equitably be made in respect of such transaction. If in such case the Board of Directors determines that an adjustment to the Conversion Price should be made, an adjustment shall be made effective as of such date, as determined by the Board of Directors (which adjustment shall in no event adversely affect the rights or preferences of the Series B Preferred as set forth herein). The determination of the Board of Directors as to whether an adjustment to the Conversion Price should be made pursuant to the foregoing provisions of this Section 8(b)(v), and, if so, as to what adjustment should be made and when, shall be final and binding on the Corporation and all shareholders of the Corporation.

(vi) In addition to the foregoing adjustments, the Corporation may, but shall not be required to, make such adjustments in the Conversion Price as it considers to be advisable in order that any event treated for federal income tax purposes as a dividend of stock or stock rights shall either not be taxable to the recipients or shall be taxable to the recipients to the minimum extent reasonable under the circumstances, as determined by the Board of Directors in its sole discretion.

(vii) In no event shall an adjustment in the Conversion Price be required unless such adjustment would result in an increase or decrease of at least one percent (1%) in the Conversion Price then in effect; *provided, however*, that any such adjustments that are not made shall be carried forward and taken into account in determining whether any subsequent adjustment is required. In no event shall the Conversion Price be adjusted to an amount less than any minimum required by law. Except as set forth in this Section 8, the Conversion Price shall not be adjusted for the issuance of Common Stock or any securities convertible into or exercisable or exchangeable for Common Stock, or carrying the right or option to purchase or otherwise acquire the foregoing, in exchange for cash, other property or services.

(viii) Whenever an adjustment in the Conversion Price is required, the Corporation shall forthwith place on file with its transfer agent (or if the Corporation performs the functions of a transfer agent, with the corporate secretary) a statement signed by its chief executive officer or a vice president and by its secretary, assistant secretary or treasurer, stating the adjusted Conversion Price determined as provided herein. Such statements shall set forth in reasonable detail such facts as shall be necessary to show the reason and the manner of computing such adjustment. As soon as practicable after the adjustment of the Conversion Price, the Corporation shall mail a notice thereof to each holder of shares of the Series B Preferred of such adjustment.

(ix) In the event that at any time, as a result of an adjustment made pursuant to this Section 8, the holder of any shares of Series B Preferred hereafter surrendered for conversion shall be entitled to receive any securities other than shares of Common Stock, thereafter the amount of such other securities so receivable upon conversion of any shares of Series B Preferred shall be subject to adjustment from time to time in a manner and on terms as nearly as equivalent as practicable to the provisions with respect to the Common Stock contained in this Section 8, and the provisions of this Section 8 with respect to the Common Stock shall apply on like terms to any such other securities.

(c) In case of any consolidation or merger of the Corporation with or into any other corporation (other than a merger in which the Corporation is the surviving corporation), or in case of any sale or transfer of substantially all the assets of the Corporation, or in case of reclassification, capital reorganization or change of outstanding shares of Common Stock (other than combinations or subdivisions described in Section 8(b)(i) and other than Extraordinary Distributions described in Section 8(b)(iv)), there shall be no adjustment to the Conversion Price then in effect, but appropriate provisions shall be made so that any holder of Series B Preferred shall be entitled, after the occurrence (or, if applicable, the record date) of any such event (Transaction), to receive on conversion the consideration whic the holder would have received had the holder converted such holder s Series B Preferred to Common Stock immediately prior to the occurrence of the Transaction and had such holder,

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if applicable, elected to receive the consideration in the form and manner elected by the plurality of the electing holders of Common Stock. In any such Transaction, effective provisions shall be made to ensure that the holder or holders of the Series B Preferred shall receive the consideration that they are entitled to receive pursuant to the provisions hereof, and in particular, as a condition to any consolidation or merger in which the holders of securities into which the Series B Preferred is then convertible are entitled to receive equity securities of another corporation, such other corporation shall expressly assume the obligation to deliver, upon conversion of the Series B Preferred, such equity securities as the holder or holders of the Series B Preferred shall be entitled to receive pursuant to the provisions hereof. Notwithstanding the foregoing provisions of this Section 8(c), in the event the consideration to be received pursuant to the provisions hereof is not to be constituted solely of employer securities within the meaning of Section 409(l) of the Internal Revenue Code of 1986, as amended, or any successor provisions of law, and of a cash payment in lieu of any fractional securities, then the outstanding shares of Series B Preferred shall be deemed converted by virtue of the Transaction immediately prior to the consummation thereof into the number and kind of securities into which such shares of Series B Preferred could have been voluntarily converted at such time and such securities shall be entitled to participate fully in the Transaction as if such securities had been outstanding on the appropriate record, exchange or distribution date. In the event the Corporation shall enter into any agreement providing for any Transaction, then the Corporation shall as soon as practicable thereafter (and in any event at least ten (10) Business Days before consummation of the Transaction) give notice of such agreement and the material terms thereof to each holder of Series B Preferred and each such holder shall have the right, to the extent permitted by applicable law, to elect, by written notice to the Corporation, to receive, upon consummation of the Transaction (if and when the Transaction is consummated), from the Corporation or the successor of the Corporation, in redemption of such Series B Preferred, a cash payment per share equal to the amount determined according to the following table, with the redemption date to be deemed to be the same date that the Transaction giving rise to the redemption election is consummated:

Transaction Consummated In Year Ending December 31	Redemption Price Per Share
1990	$156.02
1991	154.72
1992	153.42
1993	152.12
1994	150.82
1995	149.52
1996	148.22
1997	146.92
1998	145.62
1999 and thereafter	144.30

plus accumulated and unpaid dividends, without interest, to and excluding such deemed redemption date. No such notice of redemption by the holder of Series B Preferred shall be effective unless given to the Corporation prior to the close of business at least two (2) Business Days prior to consummation of the Transaction.

(d) The holder or holders of Series B Preferred as they appear on the stock books of the Corporation at the close of business on a dividend payment Record Date shall be entitled to receive the dividend payable on such shares on the corresponding Dividend Payment Date notwithstanding the subsequent

conversion thereof or the Corporation s default on payment of the dividend due on such Dividend Payment Date; *provided, however*, that the holder or holders of Series B Preferred subject to redemption on a redemption date after such Record Date and before such Dividend Payment Date shall not be entitled under this provision to receive such dividend on such Dividend Payment Date. However,

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shares of Series B Preferred surrendered for conversion during the period after any dividend payment Record Date and before the corresponding Dividend Payment Date (except shares subject to redemption on a redemption date during such period) must be accompanied by payment of an amount equal to the dividend payable on such shares on such Dividend Payment Date. The holder or holders of Series B Preferred as they appear on the stock books of the Corporation at the close of business on a dividend payment Record Date who convert shares of Series B Preferred on a Dividend Payment Date shall be entitled to receive the dividend payable on such Series B Preferred by the Corporation on such Dividend Payment Date, and the converting holders need not include payment in the amount of such dividend upon surrender of shares of Series B Preferred for conversion. Except as provided above, the Corporation shall make no payment or allowance for unpaid dividends (whether or not accumulated and in arrears) on converted shares or for dividends on the shares of Common Stock issuable upon such conversion.

(e) Each conversion of shares of Series B Preferred into shares of Common Stock shall be effected by the surrender of the certificate or certificates representing the shares to be converted, accompanied by instruments of transfer satisfactory to the Corporation and sufficient to transfer such shares to the Corporation free of any adverse claims (the Converting Shares), at the principal executive office of the Corporation (or such other office or agency of the Corporation as the Corporation may designate by written notice to the holder or holders of Series B Preferred) at any time during its respective usual business hours, together with written notice by the holder of such Converting Shares, stating that such holder desires to convert the Converting Shares, or a stated number of the shares represented by such certificate or certificates, into such number of shares of Common Stock into which such shares may be converted (the Converted Shares). Such notice shall also state the name or names (with addresses and federal taxpayer identification numbers) and denominations in which the certificate or certificates for the Converted Shares are to be issued, shall include instructions for the delivery thereof and shall include such other information as the Corporation or its agents may reasonably request. Promptly after such surrender and the receipt of such written notice and the receipt of any required transfer documents and payments representing dividends as described above, the Corporation shall issue and deliver in accordance with the surrendering holder s instructions the certificate or certificates evidencing the Converted Shares issuable upon such conversion, and the Corporation will deliver to the converting holder (without cost to the holder) a certificate (which shall contain such legends as were set forth on the surrendered certificate or certificates) representing any shares of Series B Preferred which were represented by the certificate or certificates that were delivered to the Corporation in connection with such conversion, but which were not converted.

(f) Such conversion, to the extent permitted by applicable law, shall be deemed to have been effected at the close of business on the date on which such certificate or certificates shall have been surrendered and such notice and any required transfer documents and payments representing dividends shall have been received by the Corporation, and at such time the rights of the holder of the Converting Shares as such holder shall cease, and the person or persons in whose name or names the certificate or certificates for the Converted Shares are to be issued upon such conversion shall be deemed to have become the holder or holders of record of the Converted Shares. Upon issuance of shares in accordance herewith, such Converted Shares shall be deemed to be fully paid and nonassessable. From and after the effectiveness of any such conversion, shares of the Series B Preferred so converted shall, upon compliance with applicable law, be restored to the status of authorized but unissued undesignated shares, until such shares are once more designated as part of a particular series by the Board of Directors.

(g) Notwithstanding any provision herein to the contrary, the Corporation shall not be required to record the conversion of, and no holder of shares shall be entitled to convert, shares of Series B Preferred into shares of Common Stock unless such conversion is permitted under applicable law; *provided*, *however*, that the Corporation shall be entitled to rely without independent verification upon the representation of any holder that the conversion of shares by such holder is permitted under applicable law, and in no event shall the Corporation be liable to any such holder or any third party arising from any such conversion whether or not permitted by applicable law.

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(h) The Corporation will pay any and all stamp, transfer or other similar taxes that may be payable in respect of the issuance or delivery of Common Stock received upon conversion of the shares of Series B Preferred, but shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance or delivery of Common Stock in a name other than that in which such shares of Series B Preferred were registered and no such issuance or delivery shall be made unless and until the person requesting such conversion shall have paid to the Corporation the amount of any and all such taxes or shall have established to the satisfaction of the Corporation that such taxes have been paid in full.

(i) The Corporation shall at all times reserve and keep available, free from preemptive rights, out of its authorized but unissued stock, for the purpose of effecting the conversion of the shares of the Series B Preferred, such number of its duly authorized shares of Common Stock or other securities as shall from time to time be sufficient to effect the conversion of all outstanding shares of the Series B Preferred.

(j) Whenever the Corporation shall issue shares of Common Stock upon conversion of shares of Series B Preferred as contemplated by this Section 8, the Corporation shall issue together with each such share of Common Stock one Right (as defined in the Rights Agreement) pursuant to the terms and provisions of the Rights Agreement.

9. Transfer Restriction. Shares of Series B Preferred shall be issued only to the Plan and Trust and the certificate or certificates representing such shares so issued may be registered in the name of the Plan and Trust or in the name of one or more Trustees acting on behalf of the Plan and Trust (or the nominee name of any such trustee). In the event the Plan and Trust, acting through any such trustee or otherwise, should transfer beneficial or record ownership of one or more shares of Series B Preferred to any person or entity, the shares of Series B Preferred so transferred, upon such transfer and without any further action by the Corporation or the Plan and Trust or anyone else, shall be automatically converted, as of the time of such transfer, into shares of Common Stock on the terms otherwise provided for the voluntary conversion of shares of Series B Preferred into shares of Common Stock pursuant to Section 8 hereof and no transferee of such share or shares shall thereafter have or receive any of the rights and preferences of the shares of Series B Preferred so converted. Certificates representing shares of Series B Preferred shall be legended to reflect the aforesaid restriction on transfer. Shares of Series B Preferred may also be subject to restrictions on transfer which relate to the securities laws of the United States of America or any state or other jurisdiction thereof.

10. No other Rights. The shares of Series B Preferred shall not have any rights or preferences, except as set forth herein or as otherwise required by applicable law.

11. Rules and Regulations. The Board of Directors shall have the right and authority from time to time to prescribe rules and regulations as it may determine to be necessary or advisable in its sole discretion for the administration of the Series B Preferred in accordance with the foregoing provisions and applicable law.

12. Definitions. For purposes of this Resolution, the following definitions shall apply:

Adjustment Period shall mean the period of five (5) consecutive trading day preceding the date as of which the Fair Market Value of a security is to be determined.

Business Day shall mean each day that is not a Saturday, Sunday or a day on which state or federally chartered banking institutions in New York, New York are not required to be open.

Current Market Price of publicly traded shares of Common Stock or any other class of capital stock or other security of the Corporation or any other issuer for any day shall mean the last reported sales price, regular way, or, in the event that no sale takes place on such day, the average of the reported closing bid and asked prices, regular way, in either case as reported on the New York Stock Exchange Composite Tape or, if such security is not listed or admitted to trading on the New York Stock Exchange, on a principal national securities exchange on which such security is listed or admitted to trading or, if not listed or admitted to trading on any national securities exchange, on the National Market System of the

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National Association of Securities Dealers, Inc. Automated Quotation System (NASDAQ) or, if such security is not quoted on such National Market System, the average of the closing bid and asked prices on each such day in the over-the-counter market as reported by NASDAQ or, if bid and asked prices for such security on each such day shall not have been reported through NASDAQ, the average of the bid and asked prices for such day as furnished by any New York Stock Exchange member firm regularly making a market in such security selected for such purpose by the Board of Directors or a committee thereof.

Extraordinary Distribution shall mean any dividend or other distribution to holders of Common Stock (effected while any of the shares of Series B Preferred are outstanding) (i) of cash (other than a regularly scheduled quarterly dividend not exceeding 135% of the average quarterly dividend for the four quarters immediately preceding such dividend), where the aggregate amount of such cash dividend or distribution together with the amount of all cash dividends and distributions made during the preceding period of twelve (12) months, when combined with the aggregate amount of all Pro Rata Repurchases (for this purpose, including only that portion of the aggregate purchase price of such Pro Rata Repurchase which is in excess of the Fair Market Value of the Common Stock repurchased as determined on the applicable expiration date (including all extensions thereof) of any tender offer or exchange offer which is a Pro Rata Repurchase, or the date of purchase with respect to any other Pro Rata Repurchase which is not a tender offer or exchange offer made during such period), exceeds ten percent (10%) of the aggregate Fair Market Value of all shares of Common Stock outstanding on the day before the ex-dividend date with respect to such Extraordinary Distribution which is paid in cash and on the distribution date with respect to an Extraordinary Distribution which is paid other than in cash, and/or (ii) of any shares of capital stock of the Corporation (other than shares of Common Stock), other securities of the Corporation (other than securities of the type referred to in Section 8(b)(ii) or (iii) hereof), evidences of indebtedness of the Corporation or any other person or any other property (including shares of any subsidiary of the Corporation) or any combination thereof. The Fair Market Value of an Extraordinary Distribution for purposes of Section 8(b)(iv) hereof shall be equal to the sum of the Fair Market Value of such Extraordinary Distribution plus the amount of any cash dividends (other than regularly scheduled dividends not exceeding 135% of the aggregate quarterly dividends for the preceding period of twelve (12) months) which are not Extraordinary Distributions made during such 12-month period and not previously included in the calculation of an adjustment pursuant to Section 8(b)(iv) hereof.

Fair Market Value shall mean, as to shares of Common Stock or any other class of capital stock or securities of the Corporation or any other issue which are publicly traded, the average of the Current Market Prices of such shares or securities for each day of the Adjustment Period. The Fair Market Value of an security which is not publicly traded or of any other property shall mean the fair value thereof as determined by an independent investment banking or appraisal firm experienced in the valuation of such securities or property selected in good faith by the Board of Directors or a committee thereof, or, if no such investment banking or appraisal firm is in the good faith judgment of the Board of Directors or such committee available to make such determination, as determined in good faith by the Board of Directors or such committee. The Fair Market Value of the Series B Preferred for purposes of Section 5(a) hereof and for purposes of Section 6 hereof shall be as determined by an independent appraiser, appointed by the Corporation in accordance with the provisions of the Plan and Trust, as of the most recent Valuation Date, as defined in the Plan and Trust.

Non-Dilutive Amount in respect of an issuance, sale or exchange by the Corporation of any right or warrant to purchase or acquire shares of Common Stock (including any security convertible into or exchangeable for shares of Common Stock) shall mean the difference between (i) the product of the Fair Market Value of a share of Common Stock on the day preceding the first public announcement of such issuance, sale or exchange multiplied by the maximum number of shares of Common Stock which could be acquired on such date upon the exercise in full of such rights and warrants (including upon the conversion or exchange of all such convertible or exchangeable

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securities), whether or not exercisable (or convertible or exchangeable) at such date, and (ii) the aggregate amount payable pursuant to such right or warrant to purchase or acquire such maximum number of shares of Common Stock; *provided, however*, that in no event shall the Non-Dilutive Amount be less than zero. For purposes of the foregoing sentence, in the case of a security convertible into or exchangeable for shares of Common Stock, the amount payable pursuant to a right or warrant to purchase or acquire shares of Common Stock shall be the Fair Market Value of such security on the date of the issuance, sale or exchange of such security by the Corporation.

Pro Rata Repurchase shall mean any purchase of shares of Common Stock by the Corporation or any subsidiary thereof, whether for cash, shares of capital stock of the Corporation, other securities of the Corporation, evidences of indebtedness of the Corporation or any other person or any other property (including shares of a subsidiary of the Corporation), or any combination thereof, effected while any of the shares of Series B Preferred are outstanding, pursuant to any tender offer or exchange offer subject to Section 13(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act), or any successor provision of law, or pursuant to any other offer available to substantially all holders of Common Stock; *provided, however*, that no purchase of shares by the Corporation or any subsidiary thereof made in open market transactions shall be deemed a Pro Rata Repurchase. For purposes of this definition, shares shall be deemed to have been purchased by the Corporation or any subsidiary thereof in open market transactions if they have been purchased substantially in accordance with the requirements of Rule 10b-18, as in effect under the Exchange Act, on the date shares of Series B Preferred are initially issued by the Corporation or on such other terms and conditions as the Board of Directors or a committee thereof shall have determined are reasonably designed to prevent such purchases from having a material effect on the trading market for the Common Stock.

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APPENDIX D

BYLAWS OF

THE ST. PAUL TRAVELERS COMPANIES, INC.

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation required by Chapter 302A of the Minnesota Statutes (*Chapter 302A*) to be maintained in the State of Minnesota is 385 Washington Street, St. Paul, Minnesota 55102.

Section 2. Principal Executive Office. The principal executive office of the corporation, where the chief executive officer of the corporation has an office, is 385 Washington Street, St. Paul, Minnesota 55102.

ARTICLE II

MEETINGS OF SHAREHOLDERS

Section 1. Place Of Meeting. All meetings of the shareholders shall be held at the registered office of the corporation or, except for a meeting called by or at the demand of a shareholder, at such other place as may be fixed from time to time by the board of directors (the *board* or *board of directors*).

Section 2. Regular Annual Meeting. A regular annual meeting of shareholders shall be held on such day in each calendar year as shall be determined by the board for the purpose of electing directors and for the transaction of any other business appropriate for action by the shareholders.

Section 3. Special Meetings. Special meetings of the shareholders may be called at any time by the Chief Executive Officer or the Chief Financial Officer or by two or more directors or by a shareholder or shareholders holding ten percent or more of the voting power of all shares entitled to vote; except that a special meeting called by shareholders for the purpose of considering any action to directly or indirectly facilitate or effect a business combination, including any action to change or otherwise affect the composition of the board of directors for that purpose, must be called by twenty-five percent or more of the voting power of all shares entitled to vote. A shareholder or shareholders holding the requisite voting power may demand a special meeting of shareholders only by giving the written notice of demand required by law. Special meetings shall be held on the date and at the time and place fixed as provided by law.

Section 4. Notice. Notice of all meetings of shareholders shall be given to every holder of shares entitled to vote in the manner and pursuant to the requirements of Chapter 302A.

Section 5. Record Date. The board or an officer so authorized by the board shall fix a record date not more than 60 days before the date of a meeting of shareholders as the date for the determination of the holders of voting shares entitled to notice of and to vote at the meeting.

Section 6. Quorum. The holders of a majority of the voting power of the shares entitled to vote at a meeting present in person or by proxy at the meeting are a quorum for the transaction of business. If a quorum is present when a meeting is convened, the shareholders present may continue to transact business until adjournment *sine die*, even though the withdrawal of a number of shareholders originally present leaves less than the proportion otherwise required for a quorum.

Section 7. Voting Rights. Unless otherwise provided in the terms of the shares, a shareholder has one vote for each share held on a record date. A shareholder may cast a vote in person or by proxy. Such vote shall be by written ballot unless the chairman of the meeting determines to request a voice vote on a particular matter.

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Section 8. Proxies. The chairman of the meeting shall, after shareholders have had a reasonable opportunity to vote and file proxies, close the polls after which no further ballots, proxies, or revocations shall be received or considered.

Section 9. Act of the Shareholders. Except as otherwise provided by Chapter 302A or by the amended and restated articles of incorporation of the corporation, the shareholders shall take action by the affirmative vote of the holders of a majority of the voting power of the shares present and entitled to vote on that item of business.

Section 10. Business of the Meeting. At any annual meeting of shareholders, only such business shall be conducted as shall have been brought before the meeting (i) by or at the direction of the board or (ii) by any shareholder who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 10. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the corporate secretary. To be timely, a shareholder s notice must be delivered or mailed to and received at the principal executive office of the corporation not less than 60 days prior to the date of the annual meeting; *provided*, however, that in the event that less than 70 days notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholders to be timely must be received not later than the close of business on the 10th day following the day of which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder s notice to the corporate secretary shall set forth as to each matter such shareholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the corporation s share register, of the shareholder proposing such business; (iii) the class and number of shares of the corporation s capital stock that are beneficially owned by such shareholder; and (iv) any material interest of such shareholder in such business. Notwithstanding anything in these bylaws to the contrary, no business shall be brought before or conducted at the annual meeting except in accordance with the provisions of this Section 10. The officer of the corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 10 and, if he shall so determine, he shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of shareholders, the business transacted shall be limited to the purposes stated in the notice of the meeting. With respect to a special meeting held pursuant to the demand of a shareholder or shareholders, the purposes shall be limited to those specified in the demand in the event that the shareholder or shareholders are entitled by law to call the meeting because the board does not do so.

Section 11. Nomination of Directors. Only persons who are nominated in accordance with the procedures set forth in these bylaws shall be eligible for election as directors. Nominations of persons for election to the board of the corporation may be made at a meeting of shareholders at which directors are to be elected only (i) on behalf of the board of directors, by the Governance Committee of the board of directors in accordance with Article V of these bylaws and subject to paragraph (b) of Article VII of the amended and restated articles of incorporation or (ii) by any shareholder of the corporation entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 11. Such nominations, other than those made by or at the direction of the board as described in clause (i) above, shall be made by timely notice in writing to

the corporate secretary. To be timely, a shareholder s notice shall be delivered or mailed to and received at the principal executive office of the corporation not less than 60 days prior to the date of the meeting, *provided*, however, that in the event that less than 70 days notice or prior disclosure of the date of this meeting is given or made to shareholders, notice by the shareholders to be timely must be so received not later than the close of business on the 10th day following the date on which such notice of the date of the meeting was mailed or such public disclosure was made. Such shareholder s notice shall set forth (i) as to each person whom such shareholder proposes to nominate for election as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person s written consent to being named in the proxy statement as a

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nominee and to serving as a director if elected), and (ii) as to the shareholder giving the notice (a) the name and address, as they appear on the corporation s share register, of such shareholder and (b) the class and number of shares of the corporation s capital stock that are beneficially owned by such shareholder, and shall be accompanied by the written consent of each such person to serve as a director of the corporation, if elected. At the request of the board acting through the Governance Committee, any person nominated at the direction of the board by such committee for election as a director shall furnish to the corporate secretary that information required to be set forth in a shareholder s notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the provisions of this Section 11. The officer of the corporation or other person presiding at the meeting shall, if the facts so warrant, determine and declare to the meeting that a nomination was not made in accordance with such provisions and, if he shall so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Board to Manage. The business and affairs of the corporation shall be managed by or under the direction of the board.

Section 2. Number and Term of Office. Subject to Article V of these bylaws and Article VII of the amended and restated articles of incorporation, the number of directors shall be determined by the board of directors from time to time. Each director shall be elected to serve for a term that expires at the next regular annual meeting of the shareholders and when a successor is elected and has qualified, or at the time of the earlier death, resignation, removal or disqualification of the director.

Section 3. Meetings of the Board. The board may hold meetings either within or without the State of Minnesota at such places as the board may select. If the board fails to select a place for a meeting, the meeting shall be held at the principal executive office of the corporation; *provided*, that one meeting each calendar year shall be held within the State of Connecticut. Five regular meetings of the board shall be held each year. One shall be held immediately following the regular annual meeting of the shareholders. The other four regular meetings shall be held on dates and at times determined by the board. No notice of a regular meeting is required if the date, time and place of the meeting has been announced at a previous meeting of the board. A special meeting of the board may be called by any director or by the chief executive officer by giving, or causing the corporate secretary to give, at least 24 hours notice to all directors of the date, time and place of the meeting. If present, the chairman and the chief executive officer shall jointly preside at all meetings of the board.

Section 4. Advance Action by Absent Directors. A director may give advance written consent or opposition to a proposal to be acted on at a board meeting.

Section 5. Electronic Communications. A board meeting may be held and participation in a meeting may be effected by means of any form of communications permitted by Chapter 302A.

Section 6. Quorum. At all meetings of the board, a majority of the directors then holding office is a quorum for the transaction of business. In the absence of a quorum, a majority of the directors present may adjourn a meeting from time to time until a quorum is present. If a quorum is present when a meeting is convened, the

directors present may continue to transact business until adjournment *sine die*, even though the withdrawal of a number of directors originally present leaves less than the proportion otherwise required for a quorum.

Section 7. Act of the Board. Except as otherwise provided by the amended and restated articles of incorporation, the board shall take action by the affirmative vote of at least a majority of the directors present at a meeting. In addition, the board may act without a meeting by written action signed (or consented to by authenticated electronic communication) by all of the directors then holding office or, on or after January 1, 2006, as otherwise provided in the amended and restated articles of incorporation.

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Section 8. Board-Appointed Committees. Subject to Article V of these bylaws and Article VII of the amended and restated articles of incorporation: (a) a resolution approved by the affirmative vote of a majority of the directors then holding office may establish committees having the authority of the board in the management of the business of the corporation; and (b) any committee, to the extent provided in the applicable resolution of the board of directors or in the bylaws, shall, to the extent permitted by law, have and may exercise all of the powers and authority of the board of directors.

Section 9. Chairman of the Board. Subject to Article VII of the amended and restated articles of incorporation, the board shall at its regular meeting each year immediately following the regular annual shareholders meeting elect from its number a chairman of the board who shall serve until the next regular meeting of the board immediately following the regular annual shareholders meeting. The chairman may be (but shall not be required to be) the chief executive officer or another executive officer of the corporation and shall, subject to Article VII of the amended and restated articles of incorporation:

(a) consult with the chief executive officer and the board on the strategic direction of the corporation;

(b) report solely to the board;

(c) jointly preside with the chief executive officer at all meetings of the board; and

(d) perform such other duties prescribed by the board or these bylaws.

ARTICLE IV

OFFICERS

Section 1. Required Officers. The corporation shall have officers who shall serve as chief executive officer and chief financial officer and such other officers as the board shall determine from time to time. All senior officers of the corporation other than the chairman of the board shall report to the chief executive officer.

Section 2. Chief Executive Officer. The board shall at its regular meeting each year immediately following the regular annual shareholders meeting elect from its number a chief executive officer who shall serve until the next regular meeting of the board immediately following the regular annual shareholders meeting. Subject to Article VII of the amended and restated articles of incorporation, the chief executive officer shall

(a) in consultation with the chairman and the board, have responsibility for planning the strategic direction of the company;

(b) subject to the direction of the board, have responsibility for the supervision, coordination and management of the business and affairs of the corporation;

(c) preside at all shareholder meetings and jointly preside with the chairman at meetings of the board;

(d) have responsibility to direct and guide operations to achieve corporate profit, growth and social responsibility objectives;

(e) report solely to the board;

(f) see that all orders and resolutions of the board are carried into effect; and

(g) perform such other duties prescribed by the board or these bylaws.

Section 3. Chief Financial Officer. The board shall elect one or more officers, however denominated, to serve at the pleasure of the board who shall together share the function of chief financial officer. The function of chief financial officer shall be to

(a) cause accurate financial records to be maintained for the corporation;

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(b) cause all funds belonging to the corporation to be deposited in the name of and to the credit of the corporation in banks and other depositories selected pursuant to general and specific board resolutions;

(c) cause corporate funds to be disbursed as appropriate in the ordinary course of business;

(d) cause appropriate internal control systems to be developed, maintained, improved and implemented; and

(e) perform other duties prescribed by the board or the chief executive officer.

Section 4. Chief Legal Officer. The board shall elect a chief legal officer who shall serve at the pleasure of the board. The chief legal officer shall

(a) serve as the senior legal counsel to the corporation;

(b) have responsibility for oversight and administration of the corporation s legal and regulatory affairs; and

(c) perform other duties prescribed by the board or the chief executive officer.

Section 5. Chief Investments Officer. The board shall elect a chief investments officer who shall serve at the pleasure of the board. The chief investments officer shall

(a) have responsibility for the administration of the corporation s investment portfolio;

(b) have responsibility for the supervision and oversight of compliance with the corporation s investment policies;

(c) have responsibility for monitoring the performance of investment managers, external and internal, and making recommendations to the chief executive officer with respect thereto; and

(d) perform such other duties prescribed by the board or the chief executive officer.

Section 6. Corporate Secretary. The board shall elect a corporate secretary who shall serve at the pleasure of the board. The corporate secretary shall

(a) be present at and maintain records of and certify proceedings of the board and the shareholders and, if requested, of the executive committee and other board committees;

(b) serve as custodian of all official corporate records other than those of a financial nature;

(c) cause the corporation to maintain appropriate records of share transfers and shareholders; and

(d) perform other duties prescribed by the board or the chief executive officer.

In the absence of the corporate secretary, a secretary, assistant secretary or other officer shall be designated by the chief executive officer to carry out the duties of corporate secretary.

ARTICLE V

CERTAIN GOVERNANCE MATTERS

Section 1. Definitions

Effective Time has the meaning specified in the amended and restated articles of incorporation.

Replacement St. Paul Director means a director designated pursuant to this Article V by the St. Paul Directors who are members of the Governance Committee of the board (i) to fill a vacancy on the board of directors or (ii) to be nominated for election to the board of directors by the shareholders of the corporation.

Replacement Travelers Director means a director designated pursuant to this Article V by the Travelers Directors who are members of the Governance Committee of the board (i) to fill a vacancy on the

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board of directors or (ii) to be nominated for election to the board of directors by the shareholders of the corporation.

Specified Period has the meaning specified in the amended and restated articles of incorporation.

St. Paul Directors means (i) those eleven directors designated by the corporation to serve as members of the board of directors as of the Effective Time pursuant to a contractual right of the corporation to designate such directors and (ii) any Replacement St. Paul Director.

Travelers means Travelers Property Casualty Corp., a Connecticut corporation.

Travelers Directors means (i) those twelve Directors designated by Travelers to serve as members of the board of directors as of the Effective Time pursuant to a contractual right of Travelers to designate such directors and (ii) any Replacement Travelers Director.

Section 2. Governance Committee of the Board.

(a) The Governance Committee of the board of directors shall be composed of six members, three of whom (including a co-chairman) shall, during the Specified Period, be Travelers Directors and three of whom (including a co-chairman) shall, during the Specified Period, be St. Paul Directors.

(b) The Governance Committee shall have responsibility for undertaking a complete review of the corporation s governance standards and policies and shall make a comprehensive governance recommendation to the board of directors at the end of the Specified Period or on such earlier date as the Governance Committee shall determine.

(c) The Governance Committee shall have the exclusive delegated authority of the board to nominate individuals for election to the board of directors by the shareholders of the corporation and to designate individuals to fill newly created positions on the board of directors and, during the Specified Period, the Governance Committee shall exercise such authority only by the affirmative vote of a least two-thirds of its members. The Governance Committee shall seek meaningful input on nominations from the chairman and the chief executive officer.

(d) During the Specified Period (i) a majority of the membership of the Governance Committee who are Travelers Directors shall have the exclusive delegated authority of the board to fill any vacancy on the board of directors, or on any committee of the board of directors, formerly held by a Travelers Director and (ii) a majority of the membership of the Governance Committee who are St. Paul Directors shall have the exclusive delegated authority of the board to fill any vacancy on the board of directors, or on any committee of the board of directors, formerly held by a St. Paul Director.

(e) During the Specified Period, any recommendation by the Governance Committee to change the size or chairmanship of the board or any committee of the board, the responsibilities of, or the authority delegated to, any committee of the board, the ratio of the number of Travelers Directors to the number of St. Paul Directors on the board or any committee of the board shall require the approval of

four members of the Governance Committee.

Section 3. Amendments. During the Specified Period, any amendment by the board of this Article V shall require the approval of two-thirds of the members of the board.

ARTICLE VI

SHARE CERTIFICATES/ TRANSFER

Section 1. Certificated and Uncertificated Shares. The shares of this corporation shall be either certificated shares or uncertificated shares. Each holder of duly issued certificated shares is entitled to a certificate of shares, which shall be in such form as prescribed by law and adopted by the board.

Section 2. Transfer of Shares. Transfer of shares on the books of the corporation shall be made by the transfer agent and registrar in accordance with procedures adopted by the board.

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Section 3. Lost, Stolen or Destroyed Certificates. No certificate for certificated shares of the corporation shall be issued in place of one claimed to be lost, stolen or destroyed except in compliance with Section 336.8-405, Minnesota Statutes, as amended from time to time, and the corporation may require a satisfactory bond of indemnity protecting the corporation against any claim by reason of the lost, stolen or destroyed certificate.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Voting of Shares. The chief executive officer, any vice president or the corporate secretary, unless some other person is appointed by the board, may vote shares of any other corporation held or owned by the corporation and may take any required action with respect to investments in other types of legal entities.

Section 2. Execution of Documents. Deeds, mortgages, bonds, contracts and other documents and instruments pertaining to the business and affairs of the corporation may be signed and delivered on behalf of the corporation by the chief executive officer, any vice president or corporate secretary or by such other person or by such other officers as the board may specify.

Section 3. Transfer of Assignment of Securities. The chief executive officer, chief financial officer, chief legal officer, chief investments officer, treasurer, or any vice president, corporate secretary, secretary or assistant secretary of the corporation shall execute the transfer and assignment of any securities owned by or held in the name of the corporation. The transfer and assignment of securities held in the name of a nominee of the corporation may be accomplished pursuant to the contract between the corporation and the nominee.

Section 4. Fiscal Year. The fiscal year of the corporation shall end on December 31 of each year.

Section 5. Seal. The corporation shall have a circular seal bearing the name of the corporation and an impression of a man at a plow, a gun leaning against a stump and an Indian on horseback.

Section 6. Indemnification. The corporation shall indemnify and make permitted advances to a person made or threatened to be made a party to a proceeding by reason of his former or present official capacity (as defined in Section 302A.521 of the Minnesota Statutes, as amended from time to time) against judgments, penalties, fines (including without limitation excise taxes assessed against the person with respect to an employee benefit plan), settlements and reasonable expenses (including without limitation attorneys fees and disbursements) incurred by such person in connection with the proceeding in the manner and to the fullest extent permitted or required by Section 302A.521, as amended from time to time.

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APPENDIX E

OPINION OF GOLDMAN, SACHS & CO.

PERSONAL AND CONFIDENTIAL

November 16, 2003

Board of Directors

The St. Paul Companies, Inc.
385 Washington Street
St. Paul, MN 55102

Ladies and Gentlemen:

You have requested our opinion as to the fairness from a financial point of view to The St. Paul Companies, Inc. (the Company) of the Exchange Ratio (as defined below) pursuant to the Agreement and Plan of Merger, dated as of November 16, 2003 (the Agreement), among the Company, Adams Acquisition Corp., a wholly owned subsidiary of the Company (Merger Sub), and Travelers Property Casualty Corp. (Travelers). Pursuant to the Agreement, Merger Sub will be merged with and into Travelers and each outstanding share of class A common stock, par value $0.01 per share (the Travelers Class A Common Stock), and class B common stock, par value $0.01 per share (the Travelers Class B Common Stock and together with the Travelers Class A Common Stock, the Travelers Common Stock), of Travelers will be converted into the right to receive 0.4334 of a share of common stock, without par value per share (the Company Common Stock), of the Company (the Exchang Ratio).

Goldman, Sachs & Co. and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. We have acted as financial advisor to the Company in connection with the transaction contemplated by the Agreement (the Transaction). We expect to receive fees for our services in connection with the Transaction, the principal portion of which fees are contingent upon consummation of the Transaction, and the Company has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement. We also have provided certain investment banking services to the Company from time to time, including having acted as lead manager in the initial public offering of 30,040,000 common shares of the Company s reinsurance business, Platinum Underwriters Holdings, Ltd., in October 2002 and the related Equity Security Unit offering, and having acted as financial advisor in connection with the sales of the Company s Standard Auto Business in October 1999, the Company s Non-Standard Auto Business in May 2000 and the Company s wholly-owned subsidiary Fidelity and Guaranty Life in September 2001, and having extended to the Company a $60 million back-up liquidity commitment in June 2003, and we are currently acting as the Company s commercial paper dealer. We also have provided certain investment banking services to Travelers from time to time, including having acted as co-manager on several note and capital securities offerings and acted as a co-manager of the initial public offering of 210 million shares of Travelers Class A Common Stock and $850 million principal amount of Convertible Junior Subordinated Notes of Travelers due 2032 in March 2002. We also may provide investment banking services to the Company or Travelers in the future. We currently are advising the Company, Travelers and other insurance companies in

connection with the negotiation of a potential global settlement of asbestos litigation. In connection with the above-described investment banking services, we have received, and may receive, compensation. In addition, Goldman, Sachs & Co. is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, financing and brokerage activities for both companies and individuals. In the ordinary course of their trading, investment management, financing and brokerage activities, Goldman, Sachs & Co. and its affiliates may actively trade the debt and equity securities of the Company and Travelers (or related derivative securities) for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities. As of the date hereof, Goldman, Sachs & Co. accumulated a long position of 3,440,560 shares of Travelers Class A

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Common Stock and 6,426,391 shares of Travelers Class B Common Stock, against which Goldman, Sachs & Co. is short 24,317 shares of Travelers Class A Common Stock and 14,734 shares of Travelers Class B Common Stock. Goldman, Sachs & Co. has also accumulated a long position of 93,500 shares of Company Common Stock, against which it has a short position of 519,940 shares of Company Common Stock, and a long position of 55,200 Equity Security Units of the Company.

In connection with this opinion, we have reviewed, among other things, the Agreement; annual reports to stockholders and Annual Reports on Form 10-K of the Company for the five fiscal years ended December 31, 2002; the annual report to stockholders and the Annual Report on Form 10-K of Travelers for the fiscal year ended December 31, 2002; Travelers Registration Statement on Form S-1 dated March 20, 2002 and the related prospectus; certain interim reports to stockholders and Quarterly Reports on Form 10-Q of the Company and Travelers; Statutory Annual Statements filed by certain insurance subsidiaries of each of the Company and Travelers with the insurance departments of the states under the laws in which they are organized, respectively, for the three years ended December 31, 2002 and the quarterly periods ended March 31, 2003, June 30, 2003 and September 30, 2003; certain 2004 First Call research analyst estimates for each of the Company and Travelers approved for use in connection with this opinion by the management of the Company (the 2004 First Call Estimates); certain other communications from the Company and Travelers to their respective stockholders; certain internal financial analyses and forecasts for the Company prepared by its management; certain internal financial analyses and forecasts for Travelers prepared by its management; and certain financial analyses and forecasts for the combined company on a pro forma basis prepared by the managements of the Company and Travelers, including certain purchase accounting adjustments, certain cost savings and related expenses, and certain revenue synergies projected by the managements of the Company and Travelers to result from the Transaction (the Transaction Effects). We also have held discussions with members of the senior managements of the Company and Travelers regarding their assessment of the strategic importance, and the potential benefits, of the Transaction and the past and current business operations, financial condition and future prospects of the Company and Travelers. In addition, we have reviewed the reported price and trading activity for the shares of Company Common Stock and the shares of Travelers Common Stock, compared certain financial and stock market information for the Company and Travelers with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the insurance industry specifically and in other industries generally and performed such other studies and analyses as we considered appropriate.

We have relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by us and have assumed such accuracy and completeness for purposes of rendering this opinion. In that regard, we have assumed with your consent that the Transaction Effects have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the Company and Travelers. In addition, for purposes of rendering this opinion, the management of the Company has instructed us to use with respect to analyses regarding years 2004 to 2006, for 2004, the 2004 First Call Estimates and, for 2005 and 2006, estimates of the future earnings performance of each of the Company and Travelers for these years based on the 2004 First Call Estimates increased by estimates of projected earnings growth that the managements of the Company and Travelers have provided to us with respect to each of the Company and Travelers for 2005 and 2006. We have assumed with your

consent that the estimated growth rates for the Company and Travelers for 2005 and 2006 reflect the best currently available estimates and judgments of the respective senior managements. We also have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without any adverse effect on the Company or Travelers or on the expected benefits of the Transaction in any way material to our analysis. We are not actuaries and our services did not include any actuarial determination

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or evaluation by us or any attempt to evaluate actuarial assumptions and we have relied on your actuaries with respect to reserve adequacy. In that regard, we have made no analysis of, and express no opinion as to, the adequacy of the losses and loss adjustment expense reserves of the Company and the adequacy of the claims and claim adjustment expense reserves of Travelers, including any asbestos related reserves and outstanding claim obligations of each of the Company and Travelers. In addition, we have not made an independent evaluation or appraisal of the assets and liabilities (including any derivative or off-balance-sheet assets and liabilities) of the Company or Travelers or any of their respective subsidiaries, and we have not been furnished with any such evaluation or appraisal. We are not rendering any legal or accounting advice and understand the Company is relying on its legal counsel and accounting advisors as to legal and accounting matters in connection with the Transaction.

Our opinion does not address the relative merits of the Transaction as compared to any alternative business transaction that might be available to the Company, nor does it address the underlying business decision of the Company to engage in the Transaction. In addition, we are not expressing any opinion herein as to the prices at which shares of Company Common Stock or Travelers Common Stock will trade at any time. Our advisory services and the opinion expressed herein are provided for the information and assistance of the Board of Directors of the Company in connection with its consideration of the Transaction and such opinion does not constitute a recommendation as to how any holder of Company Common Stock should vote with respect to the Transaction.

Based upon and subject to the foregoing and based upon such other matters as we consider relevant, it is our opinion that, as of the date hereof, the Exchange Ratio is fair from a financial point of view to the Company.

Very truly yours,

/s/ GOLDMAN, SACHS & CO.

(GOLDMAN, SACHS & CO.)

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APPENDIX F

OPINION OF MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED

November 16, 2003

Board of Directors

The St. Paul Companies, Inc.
385 Washington Street
St. Paul, Minnesota 55102

Gentlemen:

The St. Paul Companies, Inc. (St. Paul), Adams Acquisition Corp., a wholly owned subsidiary of St. Paul (the Acquisition Sub), and Travelers Property Casualt Corp. (Travelers) propose to enter into an agreement (the Agreement) pursuant t which the Acquisition Sub will be merged with and into Travelers in a transaction (the Merger) in which each share of Travelers class A common stock, par value $0.01 per share (the Class A Shares), and Travelers class B common stock, par value $0.01 per share (collectively, the Shares), will be converted into the right to receive 0.4334 of a share (the Exchange Ratio) of the common stock, without par value, of St. Paul (the St. Paul Shares), all as more fully set forth in the Agreement.

You have asked us whether, in our opinion, the Exchange Ratio is fair to St. Paul from a financial point of view.

In arriving at the opinion set forth below, we have, among other things:

(1) Reviewed Travelers Annual Report, Form 10-K and related financial information for the fiscal year ended December 31, 2002, Travelers Forms 10-Q and the related unaudited financial information for the quarterly periods ending March 31, June 30 and September 30, 2003, and the prospectus for Travelers initial public offering, dated March 21, 2002;

(2) Reviewed St. Paul s Annual Reports, Forms 10-K and related financial information for the five years ended December 31, 2002 and St. Paul s Forms 10-Q and the related unaudited financial information for the quarterly periods ending March 31, June 30 and September 30, 2003;

(3) Reviewed the Statutory Annual Statements filed by certain insurance subsidiaries of each of Travelers and St. Paul with the insurance departments of the states under the laws in which they are organized, respectively, for the three years ended December 31, 2002 and the quarterly periods ending March 31, June 30 and September 30, 2003;

(4) Reviewed certain First Call research analyst earnings per share estimates for each of Travelers and St. Paul approved for use in connection with this opinion by the management of St. Paul (the 2004 First Call Estimates);

(5) Reviewed certain information, including financial forecasts, relating to the business, earnings, and prospects of Travelers and St. Paul, furnished to us by Travelers and St. Paul, respectively, as well as certain financial analyses and forecasts for the combined company on a pro forma basis prepared by the managements of Travelers and St. Paul, including the amount and timing

of certain purchase accounting adjustments, certain cost savings and related expenses, and certain revenue synergies projected by the managements of Travelers and St. Paul to result from the Merger (the Expected Synergies);

(6) Conducted discussions with members of senior management of Travelers and St. Paul concerning their respective businesses and prospects;

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(7) Reviewed valuation multiples and the historical market prices and trading activity for the Class A Shares and St. Paul Shares and compared them with that of certain publicly traded companies which we deemed to be reasonably similar to Travelers and St. Paul;

(8) Compared the results of operations of Travelers and St. Paul with that of certain companies which we deemed to be reasonably similar to Travelers and St. Paul;

(9) Compared the proposed financial terms of the transactions contemplated by the Agreement with the financial terms of certain other mergers and acquisitions which we deemed to be relevant;

(10) Considered the pro forma effect of the Merger on St. Paul s capitalization ratios, earnings, and book value;

(11) Reviewed the Agreement; and

(12) Reviewed such other financial studies and analyses and took into account such other matters as we deemed necessary, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we have relied on the accuracy and completeness of all information supplied or otherwise made available to us for the purposes of this opinion, and we have not assumed any responsibility for independent verification of such information. In that regard, we have assumed with your consent that the Expected Synergies resulting from the Merger have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Travelers and St. Paul. In addition, for purposes of rendering this opinion, the management of St. Paul has instructed us to use with respect to analyses regarding years 2004 to 2006, for 2004, the 2004 First Call Estimates and, for 2005 and 2006, estimates of the future earnings performance of each of Travelers and St. Paul for these years based on the 2004 First Call Estimates increased by estimates of projected earnings growth that the managements of Travelers and St. Paul have provided to us with respect to each of Travelers and St. Paul for 2005 and 2006. We have assumed with your consent that the estimated growth rates for Travelers and St. Paul for 2005 and 2006 reflect the best currently available estimates and judgments of the respective senior managements. We also have assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Merger will be obtained without any adverse effect on Travelers or St. Paul or on the expected benefits of the Merger in any way material to our analysis. We are not experts in the evaluation of reserves for property and casualty insurance losses and loss adjustment expenses and we have not made an independent evaluation of the adequacy of the reserves of Travelers or St. Paul. In that regard, we have made no analysis of, and express no opinion as to, the adequacy of claims and claim adjustment expense reserves of Travelers and the losses and loss adjustment expense reserves of St. Paul, including any asbestos related reserves and outstanding claim obligations of each of Travelers and St. Paul. In addition, we have not made an independent evaluation or appraisal of any of the assets or liabilities of Travelers or St. Paul or any of their subsidiaries and we have not been furnished with any such evaluation or appraisal, nor have we evaluated the solvency or fair value of Travelers or St. Paul under any state or federal laws relating to bankruptcy, insolvency or similar matters. Our opinion does not address the relative merits of the Merger as compared to any alternative business transaction that might be available to St. Paul, nor does it address the underlying business decision of St. Paul to engage in the Merger. In addition, we have not considered, nor are we expressing any opinion herein with respect to, the prices at which the Shares or St. Paul Shares will trade following the announcement of the Merger or the price at which St. Paul Shares will trade following the consummation of the Merger. You have not asked us

to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of St. Paul.

Our opinion is necessarily based upon market, economic and other conditions as in effect on, and on the information made available to us as of, the date hereof. For the purposes of rendering this opinion, we have assumed that the Merger will be consummated substantially in accordance with the terms set forth in the Agreement, including in all respects material to our analysis, that the representations and warranties of each party in the Agreement and in all related documents and instruments (collectively, the Documents) that are referred to therein are true and correct, that each party to the Documents will perform all of the covenants and agreements required to be performed by such party under such Documents and that all conditions to the

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consummation of the Merger will be satisfied without waiver thereof. We have further assumed that the Merger will qualify as a tax-free reorganization for U.S. federal income tax purposes and that the final form of the Agreement will be substantially similar to the last draft reviewed by us.

In connection with the preparation of this opinion, we have not been authorized by St. Paul or the Board of Directors to solicit, nor have we solicited, third-party indications of interest for the acquisition of all or any part of St. Paul.

We have been retained by the Board of Directors to act as financial advisor to St. Paul in connection with the Merger and will receive a fee from St. Paul for our services, a significant portion of which is contingent upon consummation of the Merger. In addition, St. Paul has agreed to indemnify us for certain liabilities arising out of our engagement. We have, in the past, provided financial advisory, investment banking and other services to Travelers and St. Paul and have received fees for the rendering of such services, and we may continue to provide such services in the future. In addition, in the ordinary course of our business we may actively trade the Shares, St. Paul Shares and other securities of Travelers and St. Paul and their respective affiliates for our own accounts and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities.

This opinion is directed to the Board of Directors of St. Paul only and does not constitute a recommendation to any stockholders of St. Paul as to how such stockholder should vote at any stockholder meeting of St. Paul.

On the basis of, and subject to the foregoing, we are of the opinion that the Exchange Ratio is fair to St. Paul from a financial point of view.

Very truly yours,

/s/ MERRILL LYNCH, PIERCE, FENNER & SMITH

INCORPORATED

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APPENDIX G

OPINION OF CITIGROUP GLOBAL MARKETS INC.

[LETTERHEAD OF CITIGROUP]

November 16, 2003

The Board of Directors

Travelers Property Casualty Corp.
One Tower Square
Hartford, CT 06183

Members of the Board:

You have requested our opinion as to the fairness, from a financial point of view, to the holders of Travelers Common Stock (defined below) of the Exchange Ratio (defined below) set forth in an Agreement and Plan of Merger (the Merger Agreement) to be entered into among The St. Paul Companies, Inc. (St. Paul), Travelers Property Casualty Corp. (Travelers) and Adams Acquisition Corp. (Merger Sub). As more fully described in the Merger Agreement, (i) Merger Sub will be merged with and into Travelers (the Merger) and (ii) each outstanding share of the Class A common stock, par value $0.01 per share, of Travelers (Travelers Class A Common Stock) and each outstanding share of the Class B common stock, par value $0.01 per share, of Travelers (Travelers Class B Common Stock and, together with the Travelers Class A Common Stock, Travelers Common Stock) will be converted into the right to receive 0.4334 of a share (the Exchange Ratio) of the common stock, no par value, of St. Paul (St. Paul Common Stock).

In arriving at our opinion, we reviewed a draft dated November 16, 2003 of the Merger Agreement and held discussions with certain senior officers and other representatives and advisors of Travelers and certain senior officers and other representatives and advisors of St. Paul concerning the businesses, operations and prospects of Travelers and St. Paul. We examined certain publicly available business and financial information relating to Travelers and St. Paul as well as certain financial forecasts and other information and data relating to Travelers and St. Paul which were provided to or otherwise reviewed by or discussed with us by the respective managements of Travelers and St. Paul, including information relating to the potential strategic implications and operational benefits anticipated by the managements of Travelers and St. Paul to result from the Merger. We reviewed the financial terms of the Merger as set forth in the Merger Agreement in relation to, among other things: current and historical market prices and trading volumes of Travelers Common Stock and St. Paul Common Stock; the historical and projected earnings and other operating data of Travelers and St. Paul; and the capitalization and financial condition of Travelers and St. Paul. We considered, to the extent publicly available, the financial and other terms of certain other transactions effected which we considered relevant in evaluating the Merger and analyzed certain financial, stock market and other publicly available information relating to the businesses of other companies whose operations we considered relevant in evaluating those of Travelers and St. Paul. We also evaluated certain pro forma financial effects of the Merger. In addition to the foregoing, we conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as we deemed appropriate in arriving at our opinion.

Citigroup Global Markets Inc. 388 Greenwich Street New York, NY 10013

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In rendering our opinion, we have assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us. With respect to financial forecasts and other information and data relating to Travelers and St. Paul provided to or otherwise reviewed by or discussed with us, we have been advised by the respective managements of Travelers and St. Paul that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Travelers and St. Paul as to the future financial performance of Travelers and St. Paul, the potential strategic implications and operational benefits anticipated to result from the Merger and the other matters covered thereby, and have assumed, with your consent, that the financial results (including the potential strategic implications and operational benefits anticipated to result from the Merger) reflected in such forecasts and other information and data will be realized in the amounts and at the times projected. We have assumed, with your consent, that the Merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition will be imposed that would have a material adverse effect on Travelers or St. Paul or the contemplated benefits of the Merger. Representatives of Travelers have advised us, and we further have assumed, that the final terms of the Merger Agreement will not vary materially from those set forth in the draft reviewed by us. We also have assumed, with your consent, that the Merger will be treated as a tax-free reorganization for federal income tax purposes and that the Merger will not result in any adverse consequences related to the spin-off of Travelers from Citigroup Inc. Our opinion, as set forth herein, relates to the relative values of Travelers and St. Paul. We are not expressing any opinion as to what the value of the St. Paul Common Stock actually will be when issued pursuant to the Merger or the price at which the St. Paul Common Stock will trade at any time. We have not made or been provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Travelers or St. Paul nor have we made any physical inspection of the properties or assets of Travelers or St. Paul. We are not experts in the evaluation of insurance liabilities for purposes of assessing the adequacy of the insurance reserves with respect thereto, and we have not made any independent evaluation of the adequacy of such reserves of Travelers or St. Paul. For purposes of this opinion, we have assumed that the insurance reserves for each of Travelers and St. Paul are adequate to cover insurance liabilities. Our opinion does not address the relative merits of the Merger as compared to any alternative business strategies that might exist for Travelers or the effect of any other transaction in which Travelers might engage. Our opinion is necessarily based upon information available to us, and financial, stock market and other conditions and circumstances existing, as of the date hereof.

Citigroup Global Markets Inc. has acted as financial advisor to Travelers in connection with the proposed Merger and will receive a fee for such services, a significant portion of which is contingent upon the consummation of the Merger. We also will receive a fee in connection with the delivery of this opinion. We and our affiliates in the past have provided and currently provide services to Travelers and St. Paul unrelated to the proposed Merger, for which services we and such affiliates have received and expect to receive compensation. Until March 2002 Travelers was an indirect wholly-owned subsidiary of Citigroup Inc. and we and certain of our affiliates and employees (including Citigroup Inc. and its affiliates) hold a significant portion of the securities of Travelers for our own accounts. In addition, in the ordinary course of our business, we and our affiliates may actively

trade or hold the securities of Travelers and St. Paul for our own account or for the account of our customers and, accordingly, may at any time hold a long or short position in such securities. We and our affiliates (including Citigroup Inc. and its affiliates) maintain relationships with Travelers, St. Paul and their respective affiliates.

Our advisory services and the opinion expressed herein are provided for the information of the Board of Directors of Travelers in its evaluation of the proposed Merger, and our opinion is not intended to be and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matters relating to the proposed Merger.

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Based upon and subject to the foregoing, our experience as investment bankers, our work as described above and other factors we deemed relevant, we are of the opinion that, as of the date hereof, the Exchange Ratio is fair, from a financial point of view, to the holders of Travelers Common Stock.

Very truly yours,

CITIGROUP GLOBAL MARKETS

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APPENDIX H

[LETTERHEAD OF LEHMAN BROTHERS]

November 16, 2003

Board of Directors

Travelers Property Casualty Corp.
One Tower Square
Hartford, Connecticut 06183

Members of the Board:

We understand that Travelers Property Casualty Corp. (Travelers) intends to enter into an Agreement and Plan of Merger, dated as of November 16, 2003 (the Agreement), among The St. Paul Companies, Inc. (St. Paul), Travelers and Adar Acquisition Corp., a wholly owned subsidiary of St. Paul (Merger Sub), pursuant to which Travelers will be merged with and into Merger Sub (the Proposed Transaction). We further understand that, pursuant to the Agreement, each share of Class A common stock, par value $0.01 per share, of Travelers (Class A Travelers Common Stock) and Class B common stock, par value $0.01 per share, of Travelers (Class B Travelers Common Stock and, together with the Class A Travelers Common Stock, Travelers Common Stock) outstanding immediately prior to the effective time of the Proposed Transaction will be converted into the right to receive 0.4334 (the Exchange Ratio) of a share of the common stock, no par value, of St. Paul (St. Paul Common Stock). We further understand that, pursuant to the Restate Certificate of Incorporation of Travelers, the holders of Class A Travelers Common Stock are entitled to receive in the Proposed Transaction the same per share consideration as the per share consideration received by the holders of Class B Travelers Common Stock. The terms and conditions of the Proposed Transaction are set forth in more detail in the Agreement.

We have been requested by the Board of Directors of Travelers to render our opinion with respect to the fairness, from a financial point of view, to the holders of Travelers Common Stock of the Exchange Ratio to be received by such holders in the Proposed Transaction. We have not been requested to opine as to, and our opinion does not in any manner address, Travelers underlying business decision to proceed with or effect the Proposed Transaction.

In arriving at our opinion, we have reviewed and analyzed: (1) the Agreement and the specific terms of the Proposed Transaction, (2) publicly available information concerning Travelers and St. Paul that we believe to be relevant to our analysis, including Travelers Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and Travelers Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, and St. Paul s Annual Report on Form 10-K for the fiscal year ended December 31, 2002 and St. Paul s Quarterly Reports on Form 10-Q for the quarters ended March 31, 2003, June 30, 2003 and September 30, 2003, (3) financial and operating information with respect to the businesses, operations and prospects of Travelers and St. Paul furnished to us by the respective managements of Travelers and St. Paul, including, without limitation, expected growth rates for earnings of each of the companies in the future, (4) publicly available estimates of independent research analysts regarding the future financial performance of Travelers and St. Paul, including earnings estimates for Travelers and St. Paul for the years ended December 31, 2003 and December 31, 2004, published by First Call, (5) the trading histories of Travelers and St. Paul s common stock from March 22, 2002 to the present and a

comparison of those trading histories with each other and with those of other companies that we deemed relevant, (6) a comparison of the respective historical financial results and present financial condition of Travelers and St. Paul with each other and with those of other companies that we deemed relevant, (7) the relative financial contributions of Travelers and St. Paul to the present and future financial performance of the combined company on a pro forma basis, and (8) the potential pro forma impact of the Proposed Transaction, including the purchase accounting adjustments (the Purchase Accounting Adjustments) and cost savings and revenue enhancements (the Expected Synergies) which the managements of Travelers and St. Paul expect to result from a

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combination of the businesses of Travelers and St. Paul. In addition, we have had discussions with the managements of Travelers and St. Paul concerning their respective businesses, operations, assets, liabilities, financial condition and prospects and have undertaken such other studies, analyses and investigations as we deemed appropriate.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the financial and other information used by us without assuming any responsibility for independent verification of such information and have further relied upon the assurances of the managements of Travelers and St. Paul that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. We have not been provided with, and did not have any access to, financial projections of Travelers or St. Paul prepared by the managements of Travelers or St. Paul. Accordingly, we have assumed, (1) upon the advice of Travelers, that the publicly available estimates of independent research analysts with respect to Travelers 2003 and 2004 earnings and earnings growth rates thereafter provided by the management of Travelers are a reasonable basis upon which to evaluate the future financial performance of Travelers and that Travelers will perform substantially in accordance with such estimates and growth rates, and (2) upon the advice of St. Paul and Travelers, that the publicly available estimates of independent research analysts with respect to St. Paul s 2003 and 2004 earnings and earnings growth rates thereafter provided by the management of St. Paul are a reasonable basis upon which to evaluate the future financial performance of St. Paul and that St. Paul will perform substantially in accordance with such estimates and growth rates. Upon the advice of Travelers and St. Paul, we also have assumed that the Purchase Accounting Adjustments will be recorded, and the Expected Synergies will be realized, substantially in accordance with the expectations of Travelers and St. Paul. In addition, upon the advice of Travelers, we have assumed that the Proposed Transaction will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, and therefore, as a tax-free transaction to holders of Travelers Common Stock. In arriving at our opinion, we have not conducted a physical inspection of the properties and facilities of Travelers or St. Paul and have not made or obtained any evaluations or appraisals of the respective assets or liabilities of Travelers or St. Paul. We are not actuaries and our services did not include actuarial determinations or evaluations by us or an attempt to evaluate actuarial assumptions. In that regard, we have made no analyses of, and express no opinion as to, the adequacy of the policy and other insurance reserves of Travelers or St. Paul and have relied upon information furnished to us by Travelers and St. Paul as to the adequacy of such reserves. Our opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of this letter.

In addition, we express no opinion as to the prices at which shares of St. Paul Common Stock will trade at any time following the announcement of the Proposed Transaction or the consummation of the Proposed Transaction. This opinion should not be viewed as providing any assurance that the market value of the shares of St. Paul Common Stock to be held by the holders of Travelers Common Stock after the consummation of the Proposed Transaction will be in excess of the market value of the shares of Travelers Common Stock owned by such holders at any time prior to the announcement or the consummation of the Proposed Transaction.

Based upon and subject to the foregoing, we are of the opinion as of the date hereof that, from a financial point of view, the Exchange Ratio to be received by the holders of Travelers Common Stock in the Proposed Transaction is fair to such holders.

We have acted as financial advisor to Travelers in connection with the Proposed Transaction and will receive a fee for our services, a significant portion of

which is contingent upon the consummation of the Proposed Transaction and a portion of which is payable upon delivery of this opinion. In addition, Travelers has agreed to indemnify us for certain liabilities that may arise out of the rendering of this opinion. We also have performed various investment banking services for Travelers and St. Paul in the past and have received customary compensation for such services. In the ordinary course of our business, we actively trade in the debt and equity securities of Travelers and St. Paul for our own account and for the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

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This opinion is for the use and benefit of the Board of Directors of Travelers and is rendered to the Board of Directors in connection with its consideration of the Proposed Transaction. This opinion is not intended to be and does not constitute a recommendation to any stockholder as to how such stockholder should vote or act with respect to the Proposed Transaction.

Very truly yours,

LEHMAN BROTHERS

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EXHIBIT 99.2

[TRAVELERS LOGO]
TRAVELERS PROPERTY CASUALTY CORP.
C/O PROXY SERVICES
P.O. BOX 9156
FARMINGDALE, NY 11735

VOTE BY INTERNET WWW.PROXYVOTE.COM

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on March 18, 2004. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

VOTE BY PHONE 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on March 18, 2004. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL -

Mark, sign and date your proxy card and return it in the postage-paid envelope we ve provided or return to Travelers Property Casualty Corp., c/o ADP, 51 Mercedes Way, Edgewood, NY 11717.

IF YOU SUBMIT YOUR PROXY BY TELEPHONE OR INTERNET, DO NOT RETURN YOUR PROXY CARD.

THANK YOU FOR YOUR PROXY SUBMISSION.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: [X]	TRVLRS	KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

TRAVELERS PROPERTY CASUALTY CORP.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEM 1.

VOTE ON PROPOSAL

1. Proposal to approve the Agreement and Plan of Merger dated as of November 16, 2003, as amended, among The St. Paul Companies, Inc., Travelers Property Casualty Corp. and Adams Acquisition Corp., and the transactions contemplated by the merger agreement, including the merger.

FOR	AGAINST	ABSTAIN
[ ]	[ ]	[ ]

The signer(s) hereby acknowledge(s) receipt of the joint proxy statement/prospectus regarding the merger. The signer(s) hereby revoke(s) all proxies heretofore given by the signer(s) to vote at said Special Meeting and any adjournments or postponements thereof.

IF THIS PROXY IS PROPERLY EXECUTED BUT THE BOX IS NOT MARKED TO SPECIFY VOTING DIRECTIONS, THIS PROXY WILL BE VOTED IN THE MANNER DESCRIBED ON THE REVERSE SIDE.

NOTE: Please sign exactly as name appears herein. Joint owners should each sign. When signing as attorney, executor, administrator, trustee or guardian, or on behalf of a corporation or other business entity, please give full title as such.

For address change and/or comments, please check this box and write them on the back where indicated. [ ]

	Yes	**No**
Please indicate if you plan to attend this meeting	[ ]	[ ]

[ ]	[ ]	[ ]	[ ]
Signature [PLEASE SIGN WITHIN BOX]	Date	Signature (Joint Owners)	Date

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[TRAVELERS LOGO]

ADMISSION TICKET
Special Meeting of Shareholders
March 19, 2004 at 11:00 a.m. at
The Wadsworth Atheneum, 600 Main Street, Hartford, Connecticut

You should present this admission ticket in order to gain admittance to the meeting. This ticket admits only the shareholder(s) listed on the reverse side and is not transferable. If shares are held in the name of a broker, trustee, bank or other nominee, you should bring a proxy or letter from the broker, trustee, bank or nominee confirming your beneficial ownership of the shares.

TRAVELERS PROPERTY CASUALTY CORP.
PROXY SOLICITED BY THE BOARD OF DIRECTORS
FOR THE SPECIAL MEETING OF SHAREHOLDERS, MARCH 19, 2004

The undersigned hereby constitutes and appoints Robert I. Lipp, Jay S. Benet and Paul H. Eddy, and each of them his true and lawful agents and proxies with full power of substitution in each, to represent the undersigned at the Special Meeting of Shareholders of Travelers Property Casualty Corp. (Travelers) to be held at the Wadsworth Atheneum, 600 Main Street, Hartford, Connecticut on Friday March 19, 2004 at 11:00 a.m. local time and at any adjournments or postponements thereof, and to vote as specified on this proxy all shares of Travelers Class A and Class B common stock as the undersigned would be entitled to vote if personally present, on all matters properly coming before the Special Meeting, including but not limited to the matters set forth on the reverse side of this proxy.

Shares of Travelers Class A and/or Class B common stock may be issued to or held for the account of the undersigned under Travelers employee plans under which voting rights attach to such shares, including without limitation, the Travelers 401(k) Savings Plan and the Travelers Property Casualty Corp. 2002 Stock Incentive Plan (any of such plans, a Voting Plan). If so, then the undersigned hereb directs the respective fiduciary or administrator of each Voting Plan to vote all shares of Travelers Class A and/or Class B common stock in the undersigned s name and/or account under such Voting Plan in accordance with the instructions given herein, at the Special Meeting and at any adjournments or postponements thereof, on all matters properly coming before the Special Meeting, including but not limited to the matters set forth on the reverse side of this proxy. Shares held in Voting Plans for which no voting directions are received shall be voted in the same proportion as shares for which voting directions have been received by the respective fiduciary or administrator of each Voting Plan.

You are encouraged to specify your choices by marking the appropriate box, SEE REVERSE SIDE, but you need not mark any box if you wish to vote in accordance with the Board of Directors recommendations. Your proxy cannot be voted unless you sign, date and return this proxy card or follow the instructions for telephone or Internet voting set forth on the reverse side. This proxy when properly executed will be voted in the manner directed herein. If no direction is made, this proxy will be voted FOR Proposal 1 and will be voted in the discretion of the proxies upon such other matters as may properly come before the Special Meeting.

IF THE VOTING BOX ON THE REVERSE SIDE IS NOT MARKED, THIS PROXY WILL BE VOTED IN THE MANNER DESCRIBED ABOVE

ADDRESS CHANGES/COMMENTS:

(If you noted any address changes/comments above, please mark corresponding box on other side.)
CONTINUED AND TO BE SIGNED ON REVERSE SIDE