



NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
PROXY STATEMENT

*DATE*

APRIL 26, 2012

*TIME*

4:00 P.M. Local Time

*PLACE*

Old Derby Academy

34 Main Street

Hingham, MA 02043

**HINGHAM INSTITUTION FOR SAVINGS**  
**55 Main Street**  
**Hingham, Massachusetts 02043**  
**(781) 749-2200**

**NOTICE OF 2012 ANNUAL MEETING  
OF STOCKHOLDERS**

To the Holders of Common Stock  
of Hingham Institution for Savings

NOTICE IS HEREBY GIVEN that the 2012 Annual Meeting of Stockholders of Hingham Institution for Savings (the "Bank") will be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2012 at 4:00 p.m. local time (the "Meeting") for the following purposes, all as set forth in the attached Proxy Statement:

1. To elect five Class III Directors, each to hold office until the 2015 Annual Meeting of Stockholders of the Bank and one Class II Director to hold office until the 2014 Annual Meeting of Stockholders of the Bank, and until his or her respective successor is duly elected and qualified;
2. To elect a Clerk of the Bank, to hold office until the next Annual Meeting of Stockholders, and until his or her successor is duly elected and qualified; and
3. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 7, 2012, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting and any adjournments or postponements thereof.

Your attention is called to the accompanying Proxy Statement.

By Order of the Board of Directors,



Marion J. Fahey  
*Clerk*

Hingham, Massachusetts  
March 20, 2012

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED WITHIN THE UNITED STATES. IT IS IMPORTANT THAT PROXIES BE MAILED PROMPTLY. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW ANY PROXY GIVEN BY YOU AND VOTE YOUR SHARES IN PERSON.**

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**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on April 26, 2012:**

**This Proxy Statement and the Bank's Annual Report to Shareholders and its Annual Report on Form 10-K for fiscal year 2011 are available electronically at [www.hinghamavings.com](http://www.hinghamavings.com)**

**HINGHAM INSTITUTION FOR SAVINGS**  
**55 Main Street**  
**Hingham, Massachusetts 02043**  
**(781) 749-2200**

**SUMMARY OF PROXY STATEMENT**  
**FOR THE**  
**ANNUAL MEETING OF STOCKHOLDERS**

The following summary is not intended to be a complete statement of all material features of the matters being voted on by the stockholders of the Bank and is qualified in its entirety by the more complete information set forth elsewhere herein.

**Date, Time and Place of Annual Meeting**

The Annual Meeting of Stockholders will be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2012, at 4:00 p.m. local time.

**Purpose of the Annual Meeting**

The purpose of the Meeting is: (1) to elect five Class III Directors of the Bank to serve for a three-year term and one Class II Director of the Bank to serve for a two year term; (2) to elect a Clerk of the Bank to serve for a one-year term; and (3) to transact such other business as may properly come before the Meeting and any adjournment or postponement thereof.

**Record Date and Required Stockholder Vote**

The Board of Directors has fixed the close of business on March 7, 2012 as the record date (the "Record Date") for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof. Only holders of record of the Bank's common stock at the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. At the close of business on the Record Date, there were 2,125,750 shares of the Bank's common stock issued and outstanding, and each such outstanding share is entitled to one vote. As of such date, there were approximately 365 holders of record of the Bank's common stock, which number does not reflect the number of persons or entities who hold shares in nominee or "street" name through various brokerage firms; however, the Bank believes that its common stock is held by in excess of 1,000 beneficial owners.

The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of common stock of the Bank is necessary to constitute a quorum for the transaction of business at the Meeting. A quorum being present, five Class III Directors, one Class II Director and the Clerk will be elected by plurality vote of the shares present and voting, in person or by proxy. As of February 3, 2012, the Directors, nominee for Director and principal officers of the Bank owned in the aggregate approximately 40% of the issued and outstanding shares of the Bank's common stock which may be voted at the Meeting.

**PROPOSAL ONE  
ELECTION OF DIRECTORS**

The Bank's Amended and Restated Articles of Organization (the "Charter") and By-Laws provide that the Board of Directors shall be divided into three classes, with the Directors in each class serving for a term of three years. As the term of one class expires, a successor class is elected at each Annual Meeting of Stockholders. Each class of Directors currently consists of five or six members so as to make such classes as nearly equal in number as possible, as prescribed by the Bank's Charter and By-Laws. In connection with the Bank's obligation to make the classes of directors as nearly equal in number as possible, Mr. Patrick R. Gaughen is a nominee to become a Class II Director at this meeting. If elected, Mr. Patrick R. Gaughen will become a Class II Director and serve for a term expiring at the 2014 Annual Meeting of Stockholders.

At the Meeting, stockholders of the Bank are being asked to elect five Class III Directors of the Bank to serve until the 2015 Annual Meeting of Stockholders and one Class II Director of the Bank to serve until the 2014 Annual Meeting of Stockholders and until their successors are elected and qualified. The Board of Directors of the Bank has nominated Michael J. Desmond, Ronald D. Falcione, Robert A. Lane, Scott L. Moser, Jacqueline M. Youngworth and Patrick R. Gaughen. See "ELECTION OF DIRECTORS (Notice Item 1)."

**The Board of Directors of the Bank recommends that the stockholders vote FOR the election of the six nominees.**

**PROPOSAL TWO  
ELECTION OF CLERK**

Under Massachusetts law, the Clerk of the Bank is to be elected by the stockholders at an annual meeting or special meeting duly called for that purpose. At the Meeting, the stockholders of the Bank are being asked to elect Marion J. Fahey, the nominee proposed by the Board of Directors, as Clerk of the Bank to serve until the 2013 Annual Meeting of Stockholders, or special meeting in lieu thereof, and until her successor is elected and qualified. See "ELECTION OF CLERK (Notice Item 2)."

**The Board of Directors of the Bank recommends that the stockholders vote FOR the election of Marion J. Fahey as Clerk of the Bank.**

**PROXY STATEMENT  
FOR THE  
ANNUAL MEETING OF STOCKHOLDERS**

Accompanying this Proxy Statement is a Notice of the 2012 Annual Meeting of Stockholders (the "Meeting") of Hingham Institution for Savings (the "Bank") to be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 26, 2012, at 4:00 p.m. local time. If you need directions for the meeting to attend and vote in person, please call (781) 749-2200. Also enclosed is a form of proxy for the Meeting (and any adjournment or postponement thereof). This Proxy Statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by the Board of Directors of the Bank (the "Board") and are first being sent to stockholders on or about March 20, 2012. The enclosed proxy is for the use of holders of the Bank's common stock, \$1.00 par value per share (the "Common Stock"), of record at the close of business on March 7, 2012. Shares of Common Stock cannot be voted at the Meeting unless the owner of record is present to vote or is represented by proxy.

**VOTING PROCEDURE**

If you sign, date and return the enclosed proxy in time for the Meeting, your shares will be voted (unless you otherwise instruct) on all matters that may properly come before the Meeting. The proxy contains spaces in which you may insert instructions as to how your shares are to be voted with regard to electing Directors and electing the Bank's Clerk. If you specify instructions with respect to any of the proposals, your shares will be voted in accordance with your instructions.

Broker non-votes occur when brokers, banks or other nominees do not receive voting instructions from their customers on how to vote the customers' shares on a proposal and the broker, bank or other nominee does not have discretionary voting authority or chooses not to exercise it with respect to a proposal. If you hold shares in street name and you do not give instructions as to how to vote your shares, your broker, bank or other nominee may have authority to vote your shares on certain routine items but not on other items. Your broker, bank or other nominee does not have discretionary voting authority to vote for the election as Directors of the nominees named herein. However, Proposal 2 (the election as Clerk of the nominee named herein) is a routine matter, so your broker, bank or other nominee has discretionary voting authority to vote on that matter, and your shares will be voted FOR Proposal 2.

Your proxy may be revoked at any time before it is exercised. Any stockholder attending the Meeting may vote in person even though he or she may have previously submitted a proxy. Your proxy may be revoked by written notice to the Bank prior to the Meeting, by delivering to the Bank a duly executed proxy bearing a later date, or at the Meeting prior to a vote.

At the close of business on March 7, 2012, 2,125,750 shares of Common Stock were entitled to vote on all properly presented matters. Only stockholders whose names appeared of record at the close of business on March 7, 2012 will be entitled to vote at the Meeting. The By-Laws of the Bank require that the holders of a majority in interest of all stock issued,

outstanding and entitled to vote on matters at the Meeting be present in person or be represented by proxy at the Meeting in order to constitute a quorum for the transaction of business. Each share of Common Stock is entitled to one vote per share. The affirmative vote of the holders of a plurality of the shares present and voting, in person or by proxy, is necessary to elect the Directors and the Clerk, as set forth in Notice Items 1 and 2. Holders of the Common Stock do not have the right to cumulate their votes for the election of Directors or the Clerk. Shares of the Bank's Common Stock represented by executed proxies will be counted for purposes of establishing a quorum at the Meeting, regardless of how or whether such shares are voted on any specific proposal. With respect to the required vote on any particular matter, abstentions will be treated as votes cast or shares present and represented, while votes withheld by nominee record holders who did not receive specific instructions from the beneficial owners of such shares and broker non-votes will not be treated as votes cast or as shares present or represented.

## **ELECTION OF DIRECTORS**

(Notice Item 1)

The Board of Directors of the Bank currently consists of fifteen members elected by the stockholders of the Bank. Under Massachusetts law, the Board will be authorized to fill vacancies arising between meetings of stockholders and also to increase the number of Directors to not more than eighteen and to fill the vacancy or vacancies thereby arising. The Bank's By-Laws fix the number of Directors that comprise the whole Board of Directors to be not less than seven nor more than twenty-five individuals. The By-Laws also provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible with each such class of Directors being elected every third year at the Annual Meeting of Stockholders held that year. In connection with the Bank's obligation to make the classes of directors as nearly equal in number as possible, Mr. Patrick R. Gaughen is a nominee for Director at this meeting. If elected, Mr. Patrick Gaughen, will become a Class II Director and serve for a term expiring at the 2014 Annual Meeting of Stockholders. All other Directors of the class elected at any particular meeting will hold office until the annual meeting three years subsequent thereto, and until his or her successor is duly elected and qualified, or until his or her earlier resignation, death or removal.

The names of the five nominees for Class III Directors and one nominee for Class II Directors and certain information received from them are set forth below. All of the nominees are currently Directors with the exception of Mr. Patrick R. Gaughen, who was recommended to the Nominating and Personnel Committee of the Board for nomination by Marion J. Fahey and other members of the Nominating and Personnel Committee, and each nominee has consented to serve if elected. If any nominee shall become unavailable for any reason, the shares represented by the enclosed proxy will be voted in favor of such other person as the Board of Directors of the Bank may at the time recommend. The following tables list the name of each nominee, his or her age, period of service as a Director of the Bank, positions with the Bank, principal occupation and other directorships held. Each nominee has been engaged in his or her principal occupation for at least ten years, unless otherwise indicated. Other than Mr. Robert H. Gaughen, Jr., the President and Chief Executive Officer of the Bank, none of the directors or nominees is or has been an employee of the Bank or any of its affiliates. The Board of Directors of the Bank believes that with respect to each director and nominee named below, the business and professional experience (including

prior experience on the Bank's Board of Directors), personal attributes and skills of each such person support the Board's decision that each such person should serve on the Board.

**Nominees for Election at the Meeting  
with Terms Expiring at the 2015 Annual Meeting  
(Class III Directors)**

<u>Nominee's Name and Age</u>	<u>Positions with Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation and Education</u>
Michael J. Desmond Age – 62	Director	2010	Vice President, Stewart Title Guarantee Co. responsible for oversight of servicing and underwriting of commercial real estate. Georgetown University, B.A.
Ronald D. Falcione Age – 62	Director	1993	Self-employed real estate investor. Georgetown University, B.A.
Robert A. Lane, Esq. Age – 45	Director	1993	Partner, law firm of Gaughen, Gaughen, Lane & Hernando. Saint Anselms College, B.A. Suffolk Univ. Law School, J.D. (1)
Scott L. Moser Age – 40	Director	2008	Executive IT recruiter for Jade Staffing, loan officer for Envoy Mortgage 2010 – Present. Former President of Professional Mortgage Advisors, Inc. 2001 – 2010. Suffolk Univ., B.S. cum laude, M.B.A. cum laude
Jacqueline M. Youngworth Age – 68	Director	1997	Former Chairman of Bay State Metal Products, Inc., a manufacturer of diversified metal products. Curry College, B.S.N. cum laude



**Nominees for Election at the Meeting  
with Terms Expiring at the 2014 Annual Meeting  
(Class II Directors)**

<u>Nominee's Name and Age</u>	<u>Positions with Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation</u>
Patrick R. Gaughen Age – 31	Nominee for Director	---	Foreign Service Officer, U.S. Department of State, Yale University, B.A. cum laude, Georgetown University Walsh School of Foreign Service, M.A., Duke University, M.A. (1)

**DIRECTORS NOT STANDING FOR ELECTION**

The tables set forth below provide certain information with respect to those Directors who have been previously elected as Class I and Class II Directors.

The tables list the name of each Director, his or her age, period of service with the Bank, positions with the Bank, principal occupation and other directorships held. Each individual has been engaged in his or her principal occupation for at least ten years, except as otherwise indicated.

**Directors Whose Terms Will Expire  
at the 2013 Annual Meeting  
(Class I Directors)**

<u>Director's Name and Age</u>	<u>Positions with Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation and Education</u>
Howard M. Berger, Esq. Age – 63	Director	1998	Attorney, Partner, Andover Law Center Temple University, B.A., Suffolk University, J.D.
Marion J. Fahey Age – 87	Clerk & Director	1992	Retired; former superintendent of Boston Public Schools, former Director and Audit Committee Chair, East Weymouth Savings Bank. Regis College, A.B., M.Ed., Boston College, M.Ed.
Kevin W. Gaughen, Esq. Age – 57	Director	1994	Partner, law firm of Gaughen, Gaughen, Lane & Hernando Georgetown University, B.A. Suffolk University Law School, J.D. (1)

<u>Director's Name and Age</u>	<u>Positions with Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation and Education</u>
Julio R. Hernando, Esq. Age – 41	Director	1994	Partner, law firm of Gaughen, Gaughen, Lane & Hernando (1) Saint Anselms College, B.A. Suffolk Univ. Law School, J.D. (1)
Edward L. Sparda Age – 69	Director	1993	Retired; former Lieutenant – Station Commander, Massachusetts State Police Massasoit Community College, A.D.
Donald M. Tardiff, M.D. Age – 87	Director	1993	Retired physician, University of Portland, B.A. Tufts Medical School, M.D.

**Directors Whose Terms Will Expire  
at the 2014 Annual Meeting  
(Class II Directors)**

<u>Director's Name and Age</u>	<u>Positions with Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation and Education</u>
Brian T. Kenner, Esq. Age – 60	Director	2011	Attorney, GreenPoint Global, 2011 – Present, Vice President – Legal Staff of Zurich North America, 1993 – 2011 Syracuse University, B.A. magna cum laude, George Washington University, J.D. high honors
Stacey M. Page Age – 48	Director	1992	President, Hingham Jewelers, Inc. Babson College, B.S.
Geoffrey C. Wilkinson, Sr. Age – 60	Director	1993	President, George T. Wilkinson, Inc., a commercial heating company. Massachusetts Maritime Academy, B.S. Ph.D (honorary)
Robert H. Gaughen, Jr., Esq. Age –63	President & Director	1993 1991	President and Chief Executive Officer of the Bank; Chairman of the Board of Directors of the Bank. Georgetown University, B.A. Suffolk University, J.D. cum laude (1)

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- (1) Robert H. Gaughen, Jr., President and a Director of the Bank, and Kevin W. Gaughen, a Director of the Bank, are brothers. Patrick R. Gaughen, nominee for Director, is the son of Robert H. Gaughen, Jr., and nephew of Kevin W. Gaughen. He is also a cousin of Director Robert A. Lane and Director Julio R. Hernando. Directors Robert A. Lane and Julio R. Hernando are cousins, and they are both nephews of Robert H. Gaughen, Jr. and Kevin W. Gaughen. Directors Kevin W. Gaughen, Robert A. Lane and Julio R. Hernando are partners in the practice of law.

With the exception of the five named individual Directors in note (1) above, the Board of Directors has determined that all other members of the Board of Directors (constituting a majority of the full Board) are independent, as that term is defined by applicable rules.

In addition, during the past ten years, no director, officer or nominee has been party to any federal or state order relating to: (i) any alleged violation of federal or state securities or commodities law, (ii) any law or regulation respecting financial institutions or insurance companies, or (iii) any law or regulation prohibiting mail or wire fraud. No such person has been a party to any sanction or order of any self-regulatory organization, registered entity or exchange or similar body that has disciplinary authority of its members.

#### **MEETINGS OF THE BOARD OF DIRECTORS; BOARD STRUCTURE**

The Board of Directors, which met twelve times in 2011, has five principal committees: the Executive Committee, the Audit Committee, the Nominating and Personnel Committee, the Stock Option Committee and the Community Interaction Committee.

The Executive Committee, composed of seven Director members, oversees the management policies and affairs of the Bank. This Committee met twenty-four times in 2011. The current members of the Executive Committee are Michael J. Desmond, Robert H. Gaughen, Jr., Marion J. Fahey, Ronald D. Falcione, Kevin W. Gaughen, Robert A. Lane, and Jacqueline M. Youngworth.

The Nominating and Personnel Committee, composed of five Director members, oversees matters pertaining to the nomination of Directors and officers and other personnel and compensation matters. A copy of the charter of the Nominating and Personnel Committee appears on the Bank's website, [www.hinghamavings.com](http://www.hinghamavings.com). This Committee met four times in 2011. The current members of the Nominating and Personnel Committee are: Howard M. Berger, Michael J. Desmond, Marion J. Fahey, Donald M. Tardiff, M.D. and Jacqueline M. Youngworth. The Board of Directors has determined that all current members of the Nominating and Personnel Committee are independent, as that term is defined by applicable NASDAQ rules. The Nominating and Personnel Committee is authorized to retain advisers and consultants and to compensate them for their services.

During 2011, the Nominating and Personnel Committee retained Arthur Warren, Esq. to provide benchmarking and other information relating to the Bank's compensation policies and

practices for its senior management. After considering the information provided by Arthur Warren, Esq. and other information deemed material by the committee, the Nominating and Personnel Committee made no changes to the Bank's compensation policies and practices for its senior management.

The Nominating and Personnel Committee also makes recommendations to the full Board of Directors for nominations for Directors to be elected at each Annual Meeting of Stockholders and considers stockholder proposals for such nominations. For information regarding procedures for submitting stockholder proposals, see "STOCKHOLDER PROPOSALS."

The Audit Committee, composed of six Director members, approves the Bank's annual audit, retains the Bank's external and internal auditors and presents the audit report to the Board of Directors. A copy of the charter of the Audit Committee appears on the Bank's website, [www.hinghamavings.com](http://www.hinghamavings.com). This Committee met four times in 2011. The current members of the Audit Committee are Howard M. Berger, Marion J. Fahey, Brian T. Kenner, Scott L. Moser, Stacey M. Page and Donald M. Tardiff, M.D. The Board of Directors has determined that all members of the Audit Committee are "independent" and "independent of management," within the meaning of applicable rules of the Securities and Exchange Commission and NASDAQ, and that Ms. Fahey, a member of this committee, is an "audit committee financial expert" as that term is defined by the Securities and Exchange Commission in light of her prior significant budgetary experience and her prior service as Audit Committee Chair of another publicly traded bank.

The Stock Option Committee, composed of five Director members, meets as appropriate to review and administer the Bank's Stock Option Plans pursuant to their terms. This Committee didn't meet in 2011. The current members of the Stock Option Committee are Howard M. Berger, Stacey M. Page, Donald M. Tardiff, M.D., Geoffrey C. Wilkinson, Sr. and Jacqueline M. Youngworth.

The Community Interaction Committee, composed of six Director members, formulates and reviews Bank policies and practices relating to community reinvestment efforts. This committee met four times in 2011 and the current members are Ronald D. Falcione, Kevin W. Gaughen, Robert H. Gaughen, Jr., Julio R. Hernando, Edward L. Sparda and Geoffrey C. Wilkinson, Sr.

In 2011, each of the Directors of the Bank attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors and (ii) the total number of meetings held by committees thereof on which any such Director served (for such period of the year as he or she served on such committee). Pursuant to Bank policy, all of the Bank's Directors are encouraged and expected to attend the Bank's Annual Meeting of Stockholders. All of the Bank's current Directors were in attendance at the Bank's 2011 Annual Meeting of Stockholders.

The Board of Directors of the Bank believes that maintaining a combined Chairman of the Board and Chief Executive Officer role is the appropriate and most effective form of Board leadership structure. Such a structure provides for a focused Board effort which utilizes an involved committee structure which provides comprehensive and meaningful oversight.

However, the Board recognizes the critical oversight role it plays in the Bank's corporate governance. Accordingly, the Board employs three bodies - the Executive Committee, the Audit Committee and the full Board – to provide comprehensive and meaningful oversight. The Executive Committee meets two times a month with senior Bank management, including the Chief Executive Officer, to review financial information, loan proposals, overdue loans, asset liability, and exposure to risk. Given the composition of this Committee, the frequency of its meetings, broad access to detailed operational and risk metrics and its broad oversight mandate, the Board believes that the Executive Committee obviates the need for a (i) lead outside director and (ii) a separation of the Chairman and Chief Executive Officer roles.

In addition, the Audit Committee meets quarterly with senior management, internal auditors, and independent loan review auditors and also meets at least annually with the Bank's independent auditors.

The full Board meets each month to review the Bank's performance and exposure to risk.

The Nominating and Personnel Committee and the Community Interaction Committee meet regularly with regard to matters within their purview.

Additionally, on a quarterly basis, the independent Directors conduct a meeting chaired by the chairperson of the Nominating and Personnel Committee, the purpose of which is to allow for discussion of items which any member wishes to raise in the absence of the non-independent members.

### **Director Candidates and Qualifications**

Stockholders of the Bank may recommend Director candidates for inclusion by the Board of Directors in the slate of nominees which the Board recommends to stockholders for election. The qualifications of recommended candidates will be reviewed by the Nominating and Personnel Committee. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election as a Director by the stockholders, his or her name will be included in the Bank's proxy card for the stockholder meeting at which his or her election is recommended.

Stockholders may recommend individuals to the Committee for consideration as potential Director candidates by submitting their names and background to: Marion J. Fahey, Chairman of the Nominating and Personnel Committee, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043. The Nominating and Personnel Committee will consider a recommendation only if appropriate biographical information and background material is provided on a timely basis. The process followed by the Committee to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the committee and the Board. Assuming that appropriate biographical and background material is provided for candidates recommended by stockholders, the Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members or by other persons.

In considering whether to recommend any candidate for inclusion in the Board's slate of recommended Director nominees, including candidates recommended by stockholders, the Nominating and Personnel Committee will apply the criteria which are set forth in the Committee's charter and otherwise consider such candidate's qualifications and skill set. These criteria may include the candidate's integrity, business acumen, experience, diligence, conflicts of interest and the ability to provide a diversity of views and experience on issues under consideration and to act in the interests of all stockholders. The Committee does not assign specific weights to particular criteria and does not have a formal diversity policy. No particular criterion is necessarily applicable to all prospective nominees. The Bank believes that the backgrounds and qualifications of the Directors, considered as a group, should provide a significant and diverse composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities. In making such recommendations, the committee shall consider candidates proposed by stockholders. The Committee shall review and evaluate information available to it regarding candidates proposed by stockholders and shall apply the same criteria, and shall follow substantially the same process in considering them, as it does in considering other candidates.

### **Stockholder Communications**

The Board will give appropriate attention to written communications that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters and subject to any required assistance or advice from general counsel, the Chairman of the Board is primarily responsible for monitoring communications from shareholders and for providing copies or summaries of such communications to the other Directors as he considers appropriate.

Communications are forwarded to all Directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the Board considers to be important to the Directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Bank tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications in care of Robert H. Gaughen, Jr., Chairman of the Board of Directors, at Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

## **EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

The Nominating and Personnel Committee of the Board, in addition to its other responsibilities, serves as the Bank's compensation committee. It annually reviews the compensation and benefits of senior management and makes recommendations about compensation to the full Board of Directors. It solicits observations and recommendations from the President/CEO with regard to the performance of other individual members of senior

management and invites his participation in their discussions before they deliberate and make their decisions.

The Committee's compensation philosophy is to set management compensation at such levels as to attract and retain senior executives who will contribute to the long-term success and growth of the Bank. Senior management is compensated primarily through annual base salary and the long-term and short-term employee benefits described below, supplemented occasionally by bonuses and stock option grants. The single instance where the Committee has employed a limited bonus plan to reward performance is a plan for loan officers which is intended to reward both loan originations and also the effective administration of a high-quality loan portfolio. These awards take into consideration established internal goals but are made in the complete discretion of the Committee in order to take into account all factors which become relevant during the course of the year. The Committee does not consider these awards to be "incentive" compensation as defined in the Dodd-Frank Act. The awards have never exceeded 10% of a listed individual's total compensation. The committee's practices in regard to the mix of components within the executives' overall compensation packages has developed for a number of reasons:

- The Committee's philosophy has been to compensate primarily by means of annual base compensation due to its belief that base compensation should not be an arbitrarily low number but should reflect management's actual long-term value to the organization.
- The Committee also believes that the Bank is at an established, stable stage of development where short-term period-to-period changes in performance metrics do not drive the intrinsic value of the Bank in a fundamental way. The Committee is also cognizant of relevant experience within the commercial banking and thrift industry which counsel against providing management with too-strong incentives to attain short-term performance goals.
- The Committee also believes that existing levels of stock ownership by management and the board already establish sufficient alignment of stockholder and management interests. Accordingly, no stock options have been awarded to management during calendar years 2000 through 2011 with the exception of the stock options awarded to Mr. Sullivan on January 24, 2007.

In establishing its annual compensation recommendations for Mr. Gaughen and the other executives, the Committee considers the Bank's current and long-term pre-tax earnings, return on assets, return on equity, growth in deposits and loans, increase in dividends declared and increase in stockholders' equity. The Committee additionally considers statistics regarding general compensation levels in the industry and the committee's qualitative assessment of each executive's own performance for the year as that performance relates to maximizing long-term value for investors. In doing so, the committee members exercise their collective judgment without following quantitative formulas tying compensation to particular measures of financial performance or to particular deciles or quartiles of industry-wide or peer-group compensation. The summary compensation table that appears below indicates that annual raises for the past two

years have centered around 7.6% for senior executives, with individual raises ranging from 0% to 15.5%.

For the past decade, in order to promote stability in management, the Bank has had employment agreements in place with certain executive officers which (i) have a two-year period (three years in Mr. Gaughen's case), (ii) prohibit the executive from leaving the Bank to compete at another bank or savings institution within a specified geographic area and (iii) provide for continuation of salary and benefits during the remaining term of the agreement if the Bank terminates the executive without cause during that time. If termination without cause occurs after a change in control, as defined, the executive would instead receive a lump sum payment equal to two times his or her five-year average compensation, as defined (three times in the case of Mr. Gaughen). See "Employment Agreements and Special Termination Agreements." The committee considers that such agreements offer reasonable incentives to retain valued executives, recognizing that executives, especially highly ranked executives, often face challenges in obtaining new employment following termination.

The Committee also believes that post-retirement benefits promote stability in the case of key executives. See generally, in regard to the benefits mentioned in this paragraph, "Retirement and Other Post-Employment Compensation." All executives benefit from the Bank's mandatory and matching contributions to the Bank's 401(k) plan, which were increased at the time the Bank terminated an earlier defined benefit plan in 2002. In 2002 the committee recommended, and the board approved a supplemental retirement plan for the President/CEO. This plan is intended to provide this executive with retirement provisions of a quality comparable to those generally available for such positions in the industry. During 2006 this plan was amended to revise the life insurance death benefit payable to Mr. Gaughen from three times this executive's salary to a fixed sum equal to the lesser of \$4 million or the net-at-risk insurance benefit less current cash value in the policies. During 2007, this benefit was embodied in this executive's employment contract and the split-dollar life insurance contract that was previously in place was terminated. Additionally, this provision was extended to cover Mr. Gaughen on a post-retirement basis and de-coupled from the net at risk insurance benefit amounts, so that the death benefit became a fixed sum of \$4 million, provided that Mr. Gaughen's death benefit will be reduced to \$2 million upon his attaining the age of 83. The current health insurance benefit was also extended to provide for post-retirement coverage. Mr. Gaughen's agreement was also amended to reflect his voluntary waiver of his right to accelerate payment of all supplemental retirement benefits upon early retirement on a date of his choosing. The Committee considered these changes to be appropriate in light of the executive's contributions to the Bank's continued success.

### **Compensation Committee Report**

We have reviewed and discussed the foregoing compensation discussion and analysis with management. Based on our review and discussion with management, we have recommended to the Board of Directors that the compensation discussion and analysis be included in this proxy statement and in the Bank's annual report on Form 10-K for the year ended December 31, 2011.



Submitted by: Howard M. Berger, Esq.  
Michael J. Desmond  
Marion J. Fahey  
Donald M. Tardiff, M.D.  
Jacqueline M. Youngworth  
Members, Nominating and Personnel Committee

Notwithstanding anything to the contrary set forth in any of the Bank’s previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporate future filings, including this proxy statement, in whole or in part, the foregoing compensation committee report shall not be incorporated by reference into any such filings.

**Executive Officers**

Our current named executive officers (as defined below) are:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Robert H. Gaughen, Jr. ....	63	Director, President and Chief Executive Officer
Robert A. Bogart, CPA .....	46	Vice President and Treasurer
William M. Donovan, Jr. ....	63	Vice President-Administration
Peter R. Smollett .....	64	Vice President-Commercial Lending
Shawn T. Sullivan .....	50	Vice President-Commercial Lending
Michael J. Sinclair .....	49	Vice President-Retail Lending
Thomas I. Chew .....	69	Vice President-Branch Operations

**Robert H. Gaughen, Jr.**, the Bank’s principal executive officer, has served as president and chief executive officer since 1993.

**Robert A. Bogart, CPA**, the Bank’s chief financial officer, joined the Bank on March 23, 2009, having been Senior Vice President and Chief Financial Officer of First Citizens Federal Credit Union from March 2005 through that date. Previously, he served as Director of External Reporting and Financial Compliance at CVS Pharmacy, a drug store chain, from March 2004 to March 2005, as Director of External Reporting and Financial Control at Talbot’s Incorporated, a clothing retailer, from April 1999 to March 2004, and as a manager/senior accountant at KPMG LLP from October 1995 to April 1999.

**William M. Donovan, Jr.** joined the Bank in 1990 as its accounting officer and has served as vice president-administration since 1993.

**Peter R. Smollett** has served as vice president-commercial lending since 1993.

**Shawn T. Sullivan** joined the Bank in 1996 as its assistant vice president-commercial lending and has served as vice president-commercial lending since 1998.

**Michael J. Sinclair** joined the Bank in 1995 as its retail lending officer and has served as vice president-retail lending since 1999.

**Thomas I. Chew** has served as vice president-branch operations since joining the Bank in 2000. Immediately prior to joining the Bank, Mr. Chew was vice president-retail administration for Eastern Bank.

### Summary Compensation Table

The remuneration paid to or accrued during the years ended December 31, 2011, 2010 and 2009 for the chief executive officer and chief financial officer of the Bank and five other executive officers of the Bank for services rendered during 2011 (the “named executive officers”) was as follows. As permitted under applicable securities laws and regulations, certain columns for which the reported numbers would be zero have been omitted from the following table and other tables in this Proxy Statement.

#### SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Change to Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Robert H. Gaughen, Jr. President and Chief Executive Officer	2011	747,308	-	603,666 <sup>(1)</sup>	30,499 <sup>(2)</sup>	1,381,473
	2010	660,846	-	603,666 <sup>(1)</sup>	34,846 <sup>(2)</sup>	1,299,358
	2009	591,115	-	575,143 <sup>(1)</sup>	36,040 <sup>(2)</sup>	1,202,298
Robert A. Bogart Vice President and Treasurer <sup>(3)</sup>	2011	197,594	-	-	11,856 <sup>(4)</sup>	209,450
	2010	175,323	-	-	10,519 <sup>(4)</sup>	185,842
	2009	123,077	-	-	5,152 <sup>(4)</sup>	128,229

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Change to Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Peter R. Smollett Vice President- Commercial Lending	2011	199,593	10,000	-	11,509 <sup>(4)</sup>	221,102
	2010	194,214	9,000	-	11,429 <sup>(4)</sup>	214,643
	2009	194,214	12,500	-	11,429 <sup>(4)</sup>	218,143
Shawn T. Sullivan Vice President- Commercial Lending	2011	232,276	20,000	-	11,748 <sup>(4)</sup>	264,024
	2010	217,682	19,000	-	10,163 <sup>(4)</sup>	246,845
	2009	201,156	18,000	-	9,658 <sup>(4)</sup>	228,814
William M. Donovan, Jr. Vice President- Administration	2011	199,316	-	-	11,959 <sup>(4)</sup>	211,275
	2010	185,770	-	-	11,146 <sup>(4)</sup>	196,916
	2009	172,478	-	-	10,348 <sup>(4)</sup>	182,826
Thomas I. Chew Vice President- Branch Operations	2011	161,459	-	-	9,688 <sup>(4)</sup>	171,147
	2010	154,728	-	-	9,284 <sup>(4)</sup>	164,012
	2009	147,529	-	-	8,852 <sup>(4)</sup>	156,381
Michael J. Sinclair Vice President- Retail Lending	2011	174,230	17,500	-	9,805 <sup>(4)</sup>	201,535
	2010	162,832	15,500	-	9,386 <sup>(4)</sup>	187,718
	2009	151,892	12,500	-	9,114 <sup>(4)</sup>	173,506

- (1) These amounts represent \$603,666, \$603,666 and \$575,143, paid by the Bank to Mr. Gaughen in 2011, 2010, and 2009 respectively under the terms of a supplemental employment retirement plan established on September 1, 2002 and amended on November 5, 2003, April 27, 2006 and October 21, 2009. See "Retirement and Other Post-Employment Compensation" for additional information.

- (2) The amounts represent (a) taxable income of \$5,898, \$9,806 and \$10,540 in 2011, 2010 and 2009, respectively for Mr. Gaughen’s pro rata portion of annual lease payments made by the Bank on a vehicle leased by the Bank, which pro rata portion is based on Mr. Gaughen’s personal use of the vehicle, (b) \$2,742, \$3,181 and \$3,641 paid by the Bank in 2011, 2010, and 2009, respectively to Cohasset Country Club for both business and personal use, (c) contributions of \$14,700, \$14,700 and \$14,700 paid by the Bank to its 401(k) plan in 2011, 2010, and 2009 respectively and (d) \$7,159, \$7,159 and \$7,159 paid by the Bank in 2011, 2010, and 2009 respectively for long-term care insurance. See “Retirement and Other Post-Employment Compensation” for additional information regarding the items in (c) and (d) above.
- (3) Mr. Bogart joined the Bank on March 23, 2009.
- (4) These amounts represent contributions to the 401(k) plan for 2011, 2010, and 2009 respectively and for Mr. Smollett were \$11,509, \$11,429 and \$11,429; for Mr. Sullivan were \$11,748, \$10,163 and \$9,658; for Mr. Donovan were \$11,959, \$11,146 and \$10,348; for Mr. Chew were \$9,688, \$9,284 and \$8,852; for Mr. Sinclair were \$9,805, \$9,386 and \$9,114; and for Mr. Bogart were \$11,856, \$10,519 and \$5,152. See “Retirement and Other Post-Employment Compensation – 401(k) Plan” for additional information.

### GRANTS OF PLAN-BASED AWARDS

No grants were made during 2011.

### OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Option Awards <sup>(1)</sup>					
<u>Name</u>	Number of Securities Underlying Unexercised Options (#) <u>Exercisable</u>	Number of Securities Underlying Unexercised Options (#) <u>Unexercisable</u>	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date
Shawn T. Sullivan	2,000	-	-	35.25	1-24-17

### OPTION EXERCISES AND STOCK VESTED

No options were exercised during 2011.

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- (1) All options were granted with exercise prices equal to 100% of fair market value on the date of grant. None of the options is an incentive stock option. All of Mr. Sullivan’s options were exercisable when granted on January 24, 2007. The Stock Option

Committee retains discretion, subject to limitations set forth in the stock option plan, to modify the terms of outstanding options. The options were granted for a term of 10 years, subject to earlier termination in certain events relating to termination of employment.

## Retirement and Other Post-Employment Compensation

### NONQUALIFIED DEFERRED COMPENSATION

The following table contains information about the executive supplemental retirement plan described below, which are included within the category of nonqualified deferred compensation under definitions contained in applicable securities regulations.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$) <sup>(1)</sup>	Aggregate Earnings in Last FY (\$)	Aggregate Withdrawals/Distributions (\$) <sup>(2)</sup>	Aggregate Balance at Last FYE (\$)
Robert H. Gaughen, Jr.	-	603,666	-	603,666	-

- 
- (1) This amount has been included in the summary compensation table in the columns headed “Change to Pension Value and Nonqualified Deferred Compensation Earnings” and “Total.”
- (2) Under this arrangement, in contrast to a deferred compensation arrangement under which the employer retains control of each year’s amount and the employee receives a tax deferral until the amount is distributed to, or controlled by, him or her, the Bank’s contributions each year are paid out to a trust established for the executive. The executive has immediate control over the full amount of the contribution, including the power to distribute it to himself or herself, and is taxed immediately on the full amount of the contribution in the year of contribution. Accordingly, the full contribution has been treated as having been distributed to the executive in the year of contribution. This type of trust is commonly called a secular trust, in contrast to a so-called rabbi trust which is controlled by the employer rather than by the executive and which involves no tax liability to the executive until the year in which the executive obtains control over the funds in the trust.

The Bank’s current retirement plans have evolved as follows:

*Former Pension Plan.* The Bank formerly provided a retirement plan through the Savings Banks Employees Retirement Association (“SBERA”) as did many other community banks and thrift institutions in Massachusetts. The Bank terminated this former plan during 2002. Each participating employee received all funds that had vested to his or her account under the terms of the former plan. In addition, the Bank used 70% of the former plan’s surplus assets

to increase the benefits of the employees covered under the former plan, thereby increasing the amount distributed to the employees under the former plan. The Bank also increased certain benefits under its existing 401(k) plan, as described below.

*Executive Supplemental Retirement Agreements.* During 2002 the Bank established a supplemental employment retirement plan, as amended on November 5, 2003, April 27, 2006 and October 21, 2009 for the benefit of Mr. Robert H. Gaughen, Jr. Under this plan the Bank makes regular contributions to a secular trust controlled by this executive. The executive has immediate control over the full amount of the contribution, including the power to distribute it to himself, and is taxed immediately on the full amount of the contribution in the year of contribution. The Bank is entitled to an equivalent tax deduction in the year of contribution subject to limitation on deductions of compensation over \$1 million in total. The annual contributions from inception of the plan through the executive's anticipated year of retirement were scheduled when the plan was established and were designed so as to produce a sum of money (assuming investment gains of 6% per year) that would produce a certain retirement income to Mr. Gaughen of \$314,033 per year (assuming retirement at age 62 in 2011). On October 21, 2009 Mr. Gaughen's plan was amended to continue payments beyond 2011 at the 2010 rate until Mr. Gaughen retires. The executive assumes all investment risk and actuarial risk concerning the retirement amounts; the Bank has no obligation to guarantee the target retirement amounts. Expense related to these distributions amounted to \$603,666 for the year ended December 31, 2011.

In connection with this plan, the Bank purchased life insurance policies at costs of \$7,309,000 in 2002 and an additional \$2,800,000 in 2003 and contributed them to a rabbi trust. The purpose of the rabbi trust is to make distributions to the secular trust for the individual if the Bank does not make timely payment of those contributions. The Bank owns the insurance policies held in the rabbi trust.

In addition, the Bank entered into an investment method split dollar plan agreement with Mr. Gaughen. Under this agreement, upon the executive's death, the executive's designated beneficiaries were originally entitled to receive an amount equal to (i) \$4,000,000 or (ii) 100% of the total proceeds of the insurance policy, less the cash value of the policy, whichever amount is lower, and any remainder of the death benefit would be paid to the Bank.

During 2007, the split-dollar plan agreement was terminated and the executive's employment agreement was amended to provide that upon the executive's death, the executive's designated beneficiaries will be entitled to receive \$4,000,000, provided that Mr. Gaughen's death benefit will be reduced to \$2,000,000 upon his attaining the age of 83. The Bank made charges to earnings during 2011 of \$68,935 for Mr. Gaughen which amount is based on actuarial assumptions rather than on insurance premiums or contributions.

In 2003, the Bank discontinued providing Mr. Gaughen with an additional supplemental pension benefit under the terms of a split dollar life insurance policy and related agreement with Mr. Gaughen dated April 24, 1997. As part of the termination, Mr. Gaughen transferred ownership of the insurance policy to the Bank. This supplemental policy was designed to provide Mr. Gaughen with an additional pension benefit of \$79,921 per year at age 65, based upon Mr. Gaughen's average salary for the three years immediately preceding retirement

(assuming annual salary increases of 6%). Until the policy's termination, the Bank accrued premium expense of \$3,147 related to this policy. The discontinuance of the split dollar life insurance policy and related agreement had the effect of reducing the total supplemental pension benefit provided to Mr. Gaughen. In order to restore the total supplemental pension benefit for Mr. Gaughen to its previous level, the Bank purchased an additional life insurance policy on Mr. Gaughen's life in November 2003 at a cost of \$2,800,000 and, effective in 2004, increased the contribution to the secular trust for Mr. Gaughen by approximately \$200,000 per year. These increased contributions to the secular trust are reported as part of total contributions set forth in the tables which appear in this proxy statement. The cash surrender value of all the insurance policies owned by the Bank at December 31, 2011 was \$14,524,000.

During 2006, the Bank established an unfunded post-retirement health benefit plan for Mr. Gaughen. The Bank made charges against earnings during 2011 of \$14,133 in accordance with generally accepted accounting principles although no cash premiums or contributions were paid.

*401(k) Plan.* Each employee having completed three months of continuous service beginning with such employee's date of employment becomes a participant in the Bank's 401(k) plan. Each eligible employee may defer up to 75% of his or her income on a tax-favored basis pursuant to Internal Revenue Service guidelines. Effective May 1, 2002, the Bank's matching contribution policy is to contribute \$0.50 for each dollar contributed by the employee up to a maximum matching contribution equal to 3% of the employee's yearly compensation. The Bank's matching contribution is limited to the IRS' maximum compensation limit of \$245,000. Effective January 1, 2002, the Bank began making a contribution equal to 3% of yearly compensation for all 401(k) participants whether or not they choose to make any contributions. All participants become fully vested after two years of service or age 59½, if earlier. Bank officers participate in the plan on the same basis as all other employees.

### **Employment Agreements and Special Termination Agreements**

Robert H. Gaughen, Jr., the Bank's President and Chief Executive Officer, has entered into an employment agreement with the Bank dated November 20, 1995, which provides that Mr. Gaughen's salary is subject to review and adjustment no less frequently than annually, in an amount reflecting cost-of-living increases as well as any merit increases which the board of directors may consider appropriate. Mr. Gaughen's annual salary is currently \$775,000, and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Gaughen's employment agreement provides that he may not be required to relocate outside the Bank's primary geographic area. The contract currently provides for a term ending in April 2014. Unless either party gives written notice to the contrary, the term of the agreement shall be extended for successive one-year periods in April of each year, provided that the then remaining term of the contract never exceeds three years.

Robert A. Bogart, the Bank's Vice President and Treasurer, has entered into an employment agreement with the Bank dated April 28, 2011. Mr. Bogart's annual salary is currently \$203,280, and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr.

Bogart's employment agreement provides that he may not be required to relocate outside the Bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2013.

Peter R. Smollett, the Bank's Vice President – Commercial Lending, has entered into an employment agreement with the Bank dated April 25, 1996. Mr. Smollett's annual salary is currently \$201,983 and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Smollett's employment agreement provides that he may not be required to relocate outside the Bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2013.

William M. Donovan, Jr., the Bank's Vice President – Administration, has entered into an employment agreement with the Bank, dated April 25, 1996. Mr. Donovan's annual salary is currently \$203,410 and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Donovan's employment agreement provides that he may not be required to relocate outside the Bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2013.

Shawn T. Sullivan, the Bank's Vice President – Commercial Lending, has entered into an employment agreement with the Bank dated April 29, 1999. Mr. Sullivan's annual salary is currently \$237,048 and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Sullivan's employment agreement provides that he may not be required to relocate outside the Bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2013.

Thomas I. Chew, the Bank's Vice President – Branch Operations, has entered into an employment agreement with the Bank dated April 24, 2003. Mr. Chew's annual salary is currently \$163,627 and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements. Furthermore, Mr. Chew's employment agreement provides that he may not be required to relocate outside of the Bank's primary geographic area. The contract is reviewed annually to determine whether it will be extended for one-year periods and currently provides for a term ending in April 2013.

Michael J. Sinclair, the Bank's Vice President – Retail Lending, has not entered into an employment agreement with the Bank. Mr. Sinclair's annual salary is currently \$177,809 and he is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements.

Each of the employment agreements described above has similar termination and change-in-control provisions. In each of the agreements, the executive is prohibited from resigning as an employee during the term of the contract except with the Board's consent or in some circumstances following a change in control, as described below. Following any breach of this provision by the executive, the Bank is entitled, among other things, to have the executive enjoined from working for another bank or thrift institution in Plymouth, Barnstable or Norfolk



Counties or certain other areas of Massachusetts during the remaining term. The Bank is entitled to terminate the executive at any time with or without cause. Termination without cause requires the payment of severance pay in amounts equal to the executive's salary over the remaining term of the contract, plus continuation of employee benefits during such period. Such payment is not to be reduced by any compensation which the executive may subsequently earn from other sources.

Special rules apply if there is a change in control (as defined in the agreements) of the Bank during the term of each of the employment agreements. If the executive were to be terminated by the Bank other than for cause in connection with or within one year after such a change in control, he or she would be entitled to receive a lump sum cash payment (in lieu of his or her regular severance pay) equal to a multiple of their average annual compensation with respect to the five most recent taxable years ending prior to such change in control (or such portion thereof as they were full-time employees of the Bank), less one dollar and less any special bonus paid in connection with the change in control (three times this amount, in the case of Mr. Gaughen, and twice this amount, in the case of Mr. Bogart, Mr. Smollett, Mr. Sullivan, Mr. Donovan, and Mr. Chew). If such lump sum cash payments had been made on December 31, 2011, the approximate amounts payable would have been \$3,680,458 for Mr. Gaughen, \$209,408 for Mr. Bogart, \$433,421 for Mr. Smollett, \$458,029 for Mr. Sullivan, \$381,231 for Mr. Donovan, and \$313,610 for Mr. Chew. If the executive were to terminate his or her employment voluntarily for good reason, as defined below, in connection with or within one year after a change in control, he or she would be entitled to receive a similar lump sum cash payment. "Good reason" includes a reduction in compensation, a forced relocation, material increase in the executive's duties, or a material decrease in the executive's position. The executive is not entitled to receive any of the foregoing payments to the extent that such payments would be considered excess "parachute payments" under the Internal Revenue Code of 1986. Federal legislation authorizes the Federal Deposit Insurance Corporation under certain circumstances to prohibit or limit payments that are contingent on the termination of a person's employment with an insured depository institution.

The members of the Nominating and Personnel Committee believe that the severance benefits described above are generally in line with severance benefits offered to similarly situated officers of New England banks and thrift institutions of similar size to the Bank represented in the data that the committee reviewed.

### **More Information about Plans and Agreements**

The preceding discussion of executive compensation contains descriptions of various employee benefit plans and employment-related agreements. These descriptions are qualified in their entirety by reference to the full text or detailed descriptions of the plans and agreements which are filed as exhibits to the Bank's annual report on Form 10-K.

## **DIRECTOR COMPENSATION**

Directors of the Bank receive \$950 for each board of directors meeting they attend. No such fees were paid to members of the board of directors who are also full-time employees of the

Bank. The clerk of the Bank receives a stipend of \$9,000 per annum plus an additional fee of \$165 per meeting attended.

Each member of the Executive Committee of the Board of Directors receives a fee of \$980 per meeting attended. The clerk of the executive committee receives an additional fee of \$165 per meeting attended. Each member of the audit committee of the board of directors receives a fee of \$980 per meeting attended. Each member of all other committees of the board of directors receives \$700 for each committee meeting attended. The clerk and chairman of these committees each receive an additional fee of \$165 per meeting attended. None of these fees applies to any director who is also an employee of the Bank. In addition to the above, Executive Committee members are required by statute and/or Bank policy to perform certain revaluations of commercial real estate loan collateral and construction loan inspections. Members are paid \$125 per revaluation and between \$165 to \$215 per construction inspection.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards (\$)</u>	<u>Option Awards (\$)</u>	<u>All Other Compensation (\$)</u>	<u>Total (\$)</u>
Howard M. Berger	17,680	-	-	-	17,680
Michael J. Desmond	26,805		20,148		46,953
Marion J. Fahey	54,932	-	-	-	54,932
Ronald D. Falcione	37,085	-	-	-	37,085
Kevin W. Gaughen	35,940	-	-	-	35,940
Robert H. Gaughen, Jr.	-	-	-	-	-
Julio R. Hernando	13,490	-	-	-	13,490
Brian T. Kenner	8,550		10,074		18,624
Robert A. Lane	34,220	-	-	-	34,220
Scott L. Moser	14,980	-	-	-	14,980
Warren B. Noble (1)	14,260				14,260
Stacey M. Page	14,740	-	-	-	14,740
Joseph R. Ribaldo (1)	4,500				4,500
Edward L. Sparda	13,575	-	-	-	13,575
Donald M. Tardiff, MD	18,330	-	-	-	18,330
James R. White (1)	3,560				3,560
Geoffrey C. Wilkinson, Sr.	12,850	-	-	-	12,850
Jacqueline M. Youngworth	56,155	-	-	-	56,155

(1) Mr. Noble and Mr. White's term as Director expired on April 28, 2011. Mr. Ribaudo retired for health reasons on June 22, 2011.

### **Employees of the Bank**

As of December 31, 2011, the Bank had 103 full-time and 16 part-time employees. The Bank considers its employee relationships to be excellent.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

The Bank is required to identify in its annual proxy statement each officer, director and 10% stockholder who has failed to file on a timely basis reports required by Section 16(a) of the Securities Exchange Act of 1934. With the following exception, the Bank is not aware of any such failures to file with respect to the year ended December 31, 2011: Robert A. Lane, a Director of the Bank, purchased 110 shares of the Bank's Common Stock on February 8, 2011, and on February 15, 2011 filed the required Form-4 with the FDIC, which was due on February 10, 2011.

### **Compensation Committee Interlocks and Insider Participation**

The current members of the Nominating and Personnel Committee, the Bank's Compensation Committee, are Mr. Berger, Mr. Desmond, Miss Fahey, Dr. Tardiff and Mrs. Youngworth. No member of the Nominating and Personnel Committee was at any time during the fiscal year ended December 31, 2011 an employee of the Bank, and none was an officer of the Bank with the exception of Miss Fahey, the Director who serves as the Bank's Clerk, nor has any member of the Nominating and Personnel Committee had any relationship with the Bank requiring disclosure under Item 404 of Regulation S-K under the Securities Exchange Act of 1934.

None of the Bank's executive officers has served as a Director or member of the Compensation Committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers served as a Director of or member of the Nominating and Personnel Committee.

## **CERTAIN TRANSACTIONS WITH MANAGEMENT AND ASSOCIATES**

### **Indebtedness of Management and Associates**

In November 1993, the Bank adopted a policy providing that the Bank will not extend credit (excluding passbook loans) to Directors, officers and other employees of the Bank. Any fully secured passbook loans were represented by the Bank's management at the time of the origination of such loans as having been made in the ordinary course of business and on substantially the same terms, including interest rates, as those prevailing at the time for comparable transactions with unaffiliated persons.

## Other Transactions

The Bank may engage in additional transactions with, or use products or services of, Directors, nominees for Director, principal officers, principal shareholders or various organizations in which such persons may have interests or of which such persons may be directors, nominees for director, officers, partners or principal stockholders. With respect to the year ended December 31, 2011, unless specifically disclosed herein, any amounts so involved have in no case been material in relation to the business of the Bank, and it is believed that other than as described below, the amount involved in any such transaction or series of transactions did not exceed \$60,000 and was not otherwise material in relation to the business of any such person or other organization.

During 2011, the Bank paid legal fees to the law firm of Gaughen, Gaughen, Lane & Hernando in the amount of approximately \$1,617,332 in connection with representation of the Bank in connection with commercial and residential mortgage loan originations, foreclosure and collection actions and certain other routine litigation. Additionally, this law firm received the sum of \$569,792 in agency fees for title insurance due them in connection with loan originations. The Bank believes that the foregoing sums have been reasonable in relation to the services provided to the Bank. It is expected that the Bank will continue to have similar transactions with, and use the services of, the law firm of Gaughen, Gaughen, Lane & Hernando in the future. All legal fees and title insurance fees paid to the law firm of Gaughen, Gaughen, Lane & Hernando have been reimbursed to the Bank by its borrowers, with the exception of \$484,283. Directors Kevin W. Gaughen, Robert A. Lane and Julio R. Hernando are partners of Gaughen, Gaughen, Lane & Hernando.

It is expected that any future transactions between the Bank and its Directors, officers, holders of 5% or more of the shares of any class of its voting stock or any affiliates thereof will be on terms no less favorable to the Bank than could be obtained by the Bank in arm's length negotiation with unaffiliated third parties.

### **PRINCIPAL STOCKHOLDERS: SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth information with respect to ownership of the Common Stock, the Bank's only voting security, by the Bank's Directors, nominees for Director and principal officers as of February 3, 2012. Information presented as to the Common Stock includes the number of shares beneficially owned by such person and the percentage of such number of shares to the total amount of Common Stock outstanding in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class (1)</u>
Howard M. Berger	6,125 (2)	*
Michael J. Desmond	5,877 (3)	*
Marion J. Fahey	16,000 (4)	*

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>	<u>Percent of Class (1)</u>
Ronald D. Falcione	54,989 (5)	2.58
Kevin W. Gaughen	26,570 (6)	1.25
Patrick R. Gaughen	256,342 (7)	12.01
Robert H. Gaughen, Jr.	253,914 (8)	11.90
Julio R. Hernando	262,933 (9)	12.32
Brian J. Kenner	3,525 (10)	*
Robert A. Lane	282,855 (11)	13.26
Scott L. Moser	38,632 (12)	1.81
Stacey M. Page	8,804 (13)	*
Edward L. Sparda	3,830 (14)	*
Donald M. Tardiff, M.D.	3,000 (15)	*
Geoffrey C. Wilkinson, Sr.	17,883 (16)	*
Jacqueline M. Youngworth	152,118 (17)	7.13
William M. Donovan, Jr.	10,250 (18)	*
Michael J. Sinclair	294 (19)	*
Peter R. Smollett	3,000 (20)	*
Shawn T. Sullivan	2,000 (21)	*
Thomas I. Chew	0	*
Robert A. Bogart	0	*
Directors, nominees for Director and Principal Officers as a group (22 persons)	843,156 (22)	39.52%

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- (1) An asterisk denotes less than 1%.
- (2) Includes (i) 1,000 shares of Common Stock held directly by Mr. Berger, (ii) 2,000 shares of Common Stock held directly by Mr. Berger's IRA account and (iii) 3,125 shares of Common Stock held in Mr. Berger's wife's IRA account.
- (3) Includes (i) 1,377 shares of Common Stock held by Mr. Desmond's IRA account and (ii) 4,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 3, 2012.
- (4) Includes (i) 750 shares of Common Stock held jointly with Jessica M. Keefe, Miss Fahey's grandniece, (ii) 750 shares held jointly with Janet M. Keefe, Miss Fahey's grandniece, (iii) 4,700 shares held jointly with Mary Ellen Keefe Graziano, Miss Fahey's niece, and (iv) 9,800 shares held in Miss Fahey's IRA account.

- (5) Includes (i) 48,325 shares of Common Stock held directly by Mr. Falcione, (ii) 4,664 shares held by Dorothy E. Falcione, his wife, and (iii) 2,000 shares of Common Stock that Mr. Falcione owns jointly with his wife.
- (6) Includes (i) 564 shares of Common Stock held in Mr. Gaughen's IRA account, (ii) 150 shares of Common Stock held of record by Mr. Gaughen as custodian for Kevin W. Gaughen, Jr., his son, (iii) 4,179 shares of Common Stock held directly by Mr. Gaughen, (iv) 2,869 shares of Common Stock held directly by Beverly Gaughen, Mr. Gaughen's wife and (v) 18,808 shares of Common Stock held by the Gaughen Family Irrevocable Trust u/d/t 7/14/97 of which Mr. Gaughen is a trustee and beneficiary of, Kevin W. Gaughen Subtrust.
- (7) Includes (i) 1,478 shares of Common Stock which Mr. Gaughen owns jointly with Katherine Gaughen, his wife (ii) 950 shares of Common Stock held in the IRA account of Mr. Gaughen's wife and (iii) 121,792 shares of Common Stock beneficially owned by Margaret A. Corrigan which Mr. Gaughen holds voting power for pursuant to Margaret A. Corrigan's Durable Power of Attorney. Additionally, pursuant to the Gaughen Family Bank Stock voting Agreement, Robert H. Gaughen, Jr. and Margaret A. Corrigan have agreed to jointly vote shares held separately. Pursuant to the terms of the above-referenced Margaret A. Corrigan Durable Power of Attorney, Mr. Gaughen has the power to jointly vote on behalf of Margaret A. Corrigan those 132,122 shares owned by Robert H. Gaughen, Jr. Mr. Gaughen disclaims any beneficial ownership.
- (8) Includes (i) 110,186 shares of Common Stock held directly, (ii) 21,936 shares of Common Stock held in Mr. Gaughen's IRA account, (iii) 20,702 shares of Common Stock held in Margaret A. Corrigan's IRA account and (iv) 101,090 shares of Common Stock held by Margaret A. Corrigan directly. Of the foregoing shares, all shares are subject to the joint and several authority of Mr. Gaughen to vote the same subject to the terms and provisions of the Gaughen Family Bank Stock voting Agreement dated March 7, 2011. The Individual holders retain the sole right to dispose of, or to direct the disposal of the same.
- (9) Includes (i) 1,026 shares of Common Stock held by Mr. Hernando's IRA account, (ii) 21,870 shares of Common Stock which Mr. Hernando owns jointly with Jill Hernando, his wife, (iii) 210 shares of Common Stock held by the IRA account of Jill Hernando, Mr. Hernando's wife, (iv) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, (v) 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, (vi) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, (vii) 7,500 shares of Common Stock held by the Consentino Family Trust II u/d/t 10/24/07, of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership, (viii) 17,704 shares of Common Stock held by Bay State Investment LLC of which Mr.

Hernando shares voting and dispositive power as a manager and as to which Mr. Hernando disclaims any beneficial ownership, (ix) 19,672 shares of Common Stock held by the Youngworth Family Investment Trust of which Mr. Hernando shares voting and dispositive power as a trustee and as to which Mr. Hernando disclaims any beneficial ownership, (x) 393 shares of Common Stock held by the Shane Ryan Trust of which Mr. Hernando shares voting and dispositive power as a trustee and as to which Mr. Hernando disclaims any beneficial ownership, (xi) 32,786 shares of Common Stock held by the Jacqueline M. Youngworth G.P.O. Revocable Trust of which Mr. Hernando shares voting and dispositive power as a trustee and as to which Mr. Hernando disclaims any beneficial ownership, and (xii) 39,302 shares of Common Stock held by the Consentino Family Trust III of which Mr. Hernando shares voting and dispositive power as a co-trustee and as to which Mr. Hernando disclaims any beneficial ownership.

- (10) Includes (i) 1,175 shares of Common Stock that Mr. Kenner owns jointly with his wife, (ii) 425 shares of Common Stock held by Mr. Kenner's IRA account, (iii) 425 shares of Common Stock held by David Kenner as to which Mr. Kenner has trading authority, and (iv) 1,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 3, 2012.
- (11) Includes (i) 26,560 shares of Common Stock held directly by Mr. Lane, (ii) 2,139 shares of Common Stock held by Mr. Lane's IRA account, (iii) 1,312 shares of Common Stock held by the IRA account of Martha Lane, Mr. Lane's wife, (iv) 13,017 shares of Common Stock held directly by Mrs. Lane, (v) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, (vi) 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, (vii) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, (viii) 7,500 shares of Common Stock held by the Consentino Family Trust II u/d/t 10/24/07, of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership, (ix) 17,704 shares of Common Stock held by Bay State Investment LLC of which Mr. Lane shares voting and dispositive power as a manager and as to which Mr. Lane disclaims any beneficial ownership, (x) 19,672 shares of Common Stock held by the Youngworth Family Investment Trust of which Mr. Lane shares voting and dispositive power as a trustee and as to which Mr. Lane disclaims any beneficial ownership, (xi) 393 shares of Common Stock held by the Shane Ryan Trust of which Mr. Lane shares voting and dispositive power as a trustee and as to which Mr. Lane disclaims any beneficial ownership, (xii) 32,786 shares of Common Stock held by the Jacqueline M. Youngworth G.P.O. Revocable Trust of which Mr. Lane shares voting and dispositive power as a trustee and as to which Mr. Lane disclaims any beneficial ownership, and (xiii) 39,302 shares of Common Stock held by the Consentino Family Trust III of which Mr. Lane shares voting and dispositive power as a co-trustee and as to which Mr. Lane disclaims any beneficial ownership.

- (12) Includes (i) 3,350 shares of Common Stock held directly by Mr. Moser, (ii) 4,118 shares of Common Stock which represents Mr. Moser's interest as a beneficiary of the Consentino Family Trust u/d/t 8/29/00 which holds 20,591 shares of Common Stock, (iii) 1,500 shares of Common Stock which represents Mr. Moser's interest as a beneficiary of the Consentino Family Trust II u/d/t 10/24/07 which holds 7,500 shares of Common Stock, (iv) 1,500 shares of Common Stock held by the Alexa Margaret Adams Trust of which Mr. Moser is a co-trustee, (v) 1,500 shares of Common Stock held by the Jared I. Moser Trust of which Mr. Moser is a co-trustee. Jared I. Moser is Mr. Moser's son, (vi) 1,500 shares of Common Stock held by the Shana Ella Moser Trust of which Mr. Moser is a co-trustee. Shana Ella Moser is Mr. Moser's daughter, (vii) 1,500 shares of Common Stock held by the Ava Ruth Adams Trust of which Mr. Moser is a co-trustee, (viii) 1,500 shares of Common Stock held by the Charlotte Moser Trust of which Mr. Moser is a co-trustee, (ix) 1,500 shares of Common Stock held by the Gavin R. Moser Trust of which Mr. Moser is a co-trustee. Gavin R. Moser is Mr. Moser's son, (x) 1,500 shares of Common Stock held by the Grace Irene Moser Trust of which Mr. Moser is a co-trustee, (xi) 8,076 shares of Common Stock which represents Mr. Moser's interest as a contingent beneficiary of the James V. Consentino Trust u/d/t 2/20/01 which holds 40,379 shares of Common Stock, (xii) 476 shares of Common Stock held by the Cashel Deluca Trust of which Mr. Moser is a co-trustee, (xiii) 476 shares of Common Stock held by the Benjamin J. Moser Trust of which Mr. Moser is a co-trustee, (xiv) 476 shares of Common Stock held by the Elyse G. Moser Trust of which Mr. Moser is a co-trustee, (xv) 300 shares of Common Stock held by Mr. Moser's IRA account, (xvi) 7,860 shares of Common Stock which represents Mr. Moser's interest as a beneficiary of the Consentino Family Trust III and (xvii) 1,500 shares of Common Stock issuable pursuant to stock options exercisable on or within 60 days of February 3, 2012.
- (13) Includes (i) 2,262 shares of Common Stock held directly by Mrs. Page, (ii) 3,209 shares of Common Stock which Mrs. Page owns jointly with David B. Page, her husband and (iii) 3,333 shares of Common Stock which represents Mrs. Page's interest as a beneficiary of the Angelo A. Manjos Trust, which holds 10,000 shares of Common Stock.
- (14) Comprised of 3,830 shares of Common Stock which Mr. Sparda owns jointly with Chris E. Sparda, his son.
- (15) Comprised of 3,000 shares of Common Stock held directly by Dr. Tardiff.
- (16) Includes (i) 14,508 shares of Common Stock which Mr. Wilkinson, Sr. owns jointly with Nancy S. Wilkinson, his wife, (ii) 1,500 shares of Common Stock held by Mr. Wilkinson's IRA account and (iii) 1,875 shares of Common Stock held directly by Nancy S. Wilkinson, his wife.
- (17) Includes (i) 17,704 shares of Common Stock held by Bay State Investment LLC, as to which Mrs. Youngworth is a beneficiary thereof, (ii) 32,786 shares of Common Stock held by the Jacqueline M. Youngworth G.P.O. Revocable Trust which Mrs. Youngworth is a beneficiary thereof, (iii) 19,963 shares of Common Stock held by the Youngworth Security QTIP Trust which Mrs. Youngworth is a trustee and beneficiary thereof, (iv)



80,665 shares of Common Stock held by the Youngworth Security Trust Reverse QTIP Trust which Mrs. Youngworth is a trustee and beneficiary thereof, and (v) 1,000 shares of Common Stock held by the Estate of Thomas H. Youngworth, Sr. which Mrs. Youngworth is executrix of.

- (18) Includes (i) 3,600 shares of Common Stock held directly by Mr. Donovan, and (ii) 5,650 shares of Common Stock held by Mr. Donovan's IRA account and (iii) 1,000 shares of Common Stock held in the IRA account of Mr. Donovan's wife.
- (19) Comprised of 294 shares of Common Stock held by Kimberley A. Sinclair, Mr. Sinclair's wife.
- (20) Includes (i) 2,500 shares of Common Stock held directly by Mr. Smollett, and (ii) 500 shares of Common Stock held in the IRA account of Mr. Smollett's wife.
- (21) Comprised of 2,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Sullivan on or within 60 days of February 3, 2012.
- (22) Shared voting and dispositive power as co-trustees of 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 61,500 shares of Common Stock held by the Ruth M. Consentino Trust u/d/t 8/29/00 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 7,500 shares of Common Stock held by the Consentino Family Trust II u/d/t 10/24/07 is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Mr. Moser's interest as a beneficiary of 4,118 shares of the Consentino Family Trust, of 7,860 shares of the Consentino Family Trust III, and 1,500 shares of the Consentino Family Trust II and Mr. Moser's interest as a contingent beneficiary of 8,076 shares of the James V. Consentino Trust are part of the total shares owned by these trusts. Such shares are reflected above and are counted only once in this total.

Shared voting and dispositive power as managers of 17,704 shares of Common Stock held by the Bay State Investment LLC is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mrs. Youngworth's total and are counted only once in this total.

Shared voting and dispositive power as trustees of 19,672 shares of Common Stock held by the Youngworth Family Investment Trust is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Shared voting and dispositive power as trustees of 393 shares of Common Stock held by the Shane Ryan Trust is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Shared voting and dispositive power as trustees of 32,786 shares of Common Stock held by the Jacqueline M. Youngworth G.P.O. Revocable Trust is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mrs. Youngworth's total and are counted only once in this total.

Shared voting and dispositive power as co-trustees of 39,302 shares of Common Stock held by the Consentino Family Trust III is attributed to both Mr. Robert A. Lane and Mr. Julio R. Hernando in the above table. Mr. Lane and Mr. Hernando disclaim any beneficial ownership. Such shares are reflected in Mr. Lane's and Mr. Hernando's total and are counted only once in this total.

Includes 121,792 shares of Common Stock beneficially owned by Margaret A. Corrigan which Mr. Patrick R. Gaughen holds voting power for pursuant to Margaret A. Corrigan's Durable Power of Attorney. Additionally, pursuant to the Gaughen Family Bank Stock voting Agreement, Robert H. Gaughen, Jr. and Margaret A. Corrigan have agreed to jointly vote shares held separately. Pursuant to the terms of the above referenced Margaret A. Corrigan Durable Power of Attorney, Mr. Patrick R. Gaughen has the power to jointly vote on behalf of Margaret A. Corrigan those 132,122 shares owned by Robert H. Gaughen, Jr. Mr. Patrick R. Gaughen disclaims any beneficial ownership. Such shares are reflected in Mr. Robert H. Gaughen, Jr., and Mr. Patrick R. Gaughen's total and are counted only once in this total.

**PRINCIPAL STOCKHOLDERS:  
PERSONS OWNING MORE THAN FIVE PERCENT OF COMMON STOCK**

The following table sets forth information with respect to the ownership of the Common Stock by persons (including any “group” as that term is used in Rule 13d-3 of the Exchange Act) who are known to be the beneficial owners of more than five percent (5%) of the Common Stock of the Bank as of February 3, 2012. Information presented as to the Common Stock includes the number of shares beneficially owned by such person and the percentage of such number of shares to the total amount of Common Stock outstanding.

<u>Name and Address of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership (1)</u>	<u>Percent of Class</u>
James V. Consentino (2) 252 Neck Street North Weymouth, MA 02191	108,757	5.10
Patrick R. Gaughen (3) 4723 24 <sup>th</sup> Road, N. Arlington, VA 22207	256,342	12.01
Robert H. Gaughen, Jr. (4) 694 Main Street Hingham, MA 02043 <i>and</i> Margaret Corrigan (4) 351 Forest Avenue Cohasset, MA 02025	253,914	11.90
Julio R. Hernando (5) 9 Heather Avenue Milton, MA 02186	262,933	12.32
Robert A. Lane (6) 155 Country Club Way Kingston, MA 02364	282,855	13.26
Jacqueline M. Youngworth (7) 12 Berkley Circle Hingham, MA 02043	152,118	7.13

- (1) Sole voting and investment power, except as noted in the footnotes to the Management Stockholder Table. See “PRINCIPAL STOCKHOLDERS: SECURITIES OWNERSHIP OF MANAGEMENT.”
- (2) Includes (i) 20,591 shares of Common Stock held by the Consentino Family Trust u/d/t 8/29/00 as to which Mr. Consentino shares voting and dispositive power as a trustee, (ii) 47,787 shares of Common Stock held by the Ruth Consentino Trust u/d/t 8/29/00 as to which Mr. Consentino shares voting and dispositive power as a trustee and (iii) 40,379 shares of Common Stock held by the James V. Consentino Trust u/d/t 2/20/01 as to which Mr. Consentino is the current beneficiary.
- (3) See footnote 7 to the previous table.
- (4) See footnote 8 to the previous table.
- (5) See footnote 9 to the previous table.
- (6) See footnote 11 to the previous table.
- (7) See footnote 17 to the previous table.

## **ELECTION OF CLERK**

(Notice Item 2)

At the Meeting, the Clerk is to be elected to hold office until the next annual meeting and until his or her successor is duly elected and qualified. It is the responsibility of the Clerk to maintain a complete and accurate record of all votes and proceedings of the stockholders and of the Board of Directors at their respective meetings, as well as to perform such additional duties as the Board of Directors may from time to time determine.

The Board of Directors recommends that Marion J. Fahey be elected as Clerk of the Bank, to serve until the next annual meeting and until her successor is duly elected and qualified or until her earlier resignation, death or removal.

Miss Fahey has served as Clerk since 1993. Miss Fahey has served as a Director of the Bank since 1992. Miss Fahey has never been employed by the Bank. Biographical information about Miss Fahey is set forth under “ELECTION OF DIRECTORS.”

Unless contrary instructions are given, shares represented by proxies solicited by the Board of Directors will be voted FOR the election of Marion J. Fahey as Clerk of the Bank to serve until the next annual meeting and until her successor is duly elected and qualified or until her earlier resignation, death or removal. The affirmative vote of the holders of a majority of shares constituting the quorum at the Meeting is required to elect the Clerk of the Bank.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee of the Board of Directors has selected the independent registered public accounting firm of Wolf & Company, P.C. (“Wolf”), to be the independent auditors of the Bank for the fiscal year ending December 31, 2011. Wolf has no direct or indirect financial interest in the Bank nor has it had any connection with the Bank in a capacity of promoter,

voting trustee, Director, officer or employee. A representative of Wolf is expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if such representative so desires.

Wolf has served as independent auditors of the Bank since July 23, 1993 and, prior to the year ending December 31, 1990, Wolf served as independent auditors of the Bank for more than ten years. For the two fiscal years ending December 31, 1991 and 1992 the Bank selected the firm of KPMG Peat Marwick, independent certified public accountants, to be the Bank's independent auditors.

The consolidated financial statements of the Bank as of December 31, 2011 and 2010 and for each of the years in the three-year period ended December 31, 2011, have been audited by Wolf. All such financial statements are included in the Bank's 2011 Annual Report which accompanies this Proxy Statement.

The Audit Committee has adopted policies and procedures relating to the approval of all audit and non-audit services that are to be performed by the Bank's independent auditor. This policy provides that the Bank will not engage its independent auditor to render audit or non-audit services unless the service is specifically approved in advance by the Audit Committee or the engagement is entered into pursuant to an appropriate pre-approval procedures. To date, the Bank has not adopted any pre-approval procedures.

#### **Audit Fees**

Wolf billed the Bank an aggregate of \$175,400 and \$129,900 in fees for professional services rendered in connection with audit of the Bank's consolidated financial statements for the two most recent fiscal years and for the reviews of the financial statements included in each of the Bank's Quarterly reports on Form 10-Q during the years ended December 31, 2011 and 2010, respectively. Additionally, the fees for 2011 included an audit of internal controls over financial reporting.

#### **Audit Related Fees**

Wolf billed the Bank an aggregate of \$1,500 and \$1,400 in audit related fees for professional services rendered to the Bank for the fiscal years ended December 31, 2011 and 2010, respectively. The fees related to agreed-upon procedures in connection with the review of the Bank's pension plans.

#### **Tax Fees**

Wolf billed the Bank an aggregate of \$28,000 and \$27,000 in fees for tax related services rendered to the Bank and its affiliates for the fiscal years ended December 31, 2011 and 2010, respectively. These fees included the quarterly estimation of taxes due, the annual preparation of Federal and State tax returns for the Bank and its subsidiaries, and an annual tax planning meeting.

#### **All Other Fees**

Wolf did not bill the Bank for other fees for professional services for the fiscal years ended December 31, 2011 and 2010.

## **REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

The Bank's management is responsible for the Bank's internal controls and financial reporting process. The Bank's independent registered public accounting firm is responsible for performing an independent audit of the Bank's consolidated financial statements, issuing an opinion on the conformity of those financial statements with generally accepted accounting principles, and issuing a report on internal control over financial reporting. The Audit Committee of the Bank's Board of Directors oversees the Bank's internal controls and financial reporting process on behalf of the Board of Directors.

The Audit Committee is composed of six members and acts under a written charter first adopted and approved in 1993. The Board has determined that all members of the Audit Committee are independent directors, as defined by its charter and the rules of the NASDAQ Global Market. In 2011, the Committee's previous "financial expert" retired for health reasons from the Committee and the Board of Directors. The Bank is in process of searching for a candidate to fill this role and has designated Marion J. Fahey as its current audit Committee "financial expert" as that term is defined by the Securities and Exchange Commission in light of her prior significant budgetary experience and her service as Audit Committee Chair of another publicly traded bank.

The Audit Committee held four meetings during the fiscal year ended December 31, 2011. The Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Bank's consolidated financial statements were prepared in accordance with generally accepted accounting principles and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61 (Communication With Audit Committees), including the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements.

The Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the Independence Standards Board Standard No. 1 (Independence Discussions With Audit Committees) and has discussed with the independent registered public accounting firm the firm's independence from the Bank and its management.

The Audit Committee discussed with the Bank's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their audit, their evaluation of the Bank's internal controls, and the overall quality of the Bank's financial reporting.

Based on its discussions with management and the independent auditor, and its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to the Bank's Board of Directors that the audited consolidated financial statements be included in the Bank's Annual Report on Form 10-K for the year ended December 31, 2011. The Audit Committee also has approved, subject to stockholder ratification,

the selection of Wolf & Company, P.C. as the Bank's independent registered public accounting firm, for the fiscal year ending December 31, 2012.

By the Audit Committee of the Board of Directors of Hingham Institution for Savings.

Current Members:

Howard M. Berger, Esq.  
Marion J. Fahey  
Brian T. Kenner, Esq.  
Scott L. Moser  
Stacey M. Page  
Donald M. Tardiff, M.D.

**OTHER MATTERS**

(Notice Item 3)

The Board of Directors knows of no business which will be presented for consideration at the Meeting other than that set forth in this Proxy Statement. The enclosed form of proxy confers upon each proxy holder discretionary authority to vote the shares represented by such proxy in accordance with his or her best judgment with respect to any other matter which may be properly presented for action at the Meeting.

**STOCKHOLDER PROPOSALS**

No person who intends to present a proposal for action at the 2013 Annual Meeting of the Stockholders of the Bank may seek to have the proposal included in the proxy statement or form of proxy for the meeting unless that person (a) is a record or beneficial owner of shares of Common Stock representing at least \$2,000 in market value or 1% of the securities entitled to be voted on the proposal at the meeting, which shares have been held by such person for at least one year, continue to be owned by such person at the time the proposal is submitted and through the date on which the meeting is held, (b) notifies the Bank in writing of his or her intention to appear personally or by appropriate representative at that meeting to present his or her proposal for action, (c) submits his or her proposal so that it is received at the Bank's principal executive office on or before November 20, 2012 for inclusion in the appropriate proxy statement and form of proxy relating to such meeting, and (d) otherwise satisfies the requirements of Rule 14a-8 under the Securities Exchange Act of 1934, as amended. The Bank's By-Laws provide that any Director nominations and new business submitted by stockholders must be filed with the Clerk of the Bank at least 60 days (February 25, 2013), but not more than 150 days (November 27, 2012), prior to the date of the meeting, and that no other nominations or proposals by stockholders shall be acted upon at the meeting. Therefore, proposals submitted prior to the deadline for consideration at the meeting but after the deadline for inclusion in the proxy statement will be placed on the agenda at the meeting but will not be included in the proxy statement. Any such proposal should be mailed to: Clerk, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

Even if the foregoing requirements are satisfied, a person may only submit a maximum of one proposal and supporting statement of not more than 500 words for inclusion in the proxy

materials and, under certain circumstances enumerated in the rules of the Securities and Exchange Commission relating to the solicitation of proxies, the Bank may be entitled to omit the proposal and any statement in support thereof from its proxy statement and form of proxy.

### **EXPENSES OF SOLICITATION**

The Bank will bear the cost of preparing, assembling and mailing the Notice, Proxy Statement and form of proxy for the Meeting. Solicitation of proxies will be primarily through the use of mails, but regular employees of the Bank may solicit proxies by personal interview, by telephone or by telegraph without additional remuneration therefor. The Bank will also provide persons, firms, banks and corporations holding shares in their names, or in the names of their nominees, which in either case are beneficially owned by others, with proxy materials for transmittal to such beneficial owners and will reimburse such record holders for their reasonable expenses in so doing. In addition, the Bank has retained Regan & Associates, Inc. to aid in the solicitation of proxies from individuals, brokers, bank nominees and other institutional holders, for which a base fee of \$4,500 (plus out-of-pocket expenses) will be paid.

The Board of Directors would like to have you attend the Meeting in person. However, whether or not you expect to attend the Meeting, it is very important that your shares be represented. Therefore, it would be helpful if you would sign and date the enclosed form of proxy and promptly return it. If you attend the Meeting, you may, if you wish, withdraw any proxy previously given and vote your shares in person.

### **ANNUAL DISCLOSURE STATEMENT; STOCKHOLDERS' ANNUAL REPORT; FORM 10-K**

The Bank's Annual Report to Stockholders for the fiscal year ended December 31, 2011 accompanies this Proxy Statement. The Annual Report to Stockholders constitutes the annual disclosure statement of the Bank and is available to the public at the main office and each branch office of the Bank in accordance with the regulations of the Federal Deposit Insurance Corporation. In addition, a copy of the Bank's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, as filed with the Federal Deposit Insurance Corporation, as well as the Annual Report to Stockholders, may be obtained without charge, by any stockholder of the Bank upon written request addressed to Robert H. Gaughen, Jr., President, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043, telephone (781) 749-2200 or (800) 286-2800. This Proxy Statement, the Annual Report to Shareholders and the Annual Report on Form 10-K for fiscal year 2011 are available electronically at [www.hinghamavings.com](http://www.hinghamavings.com). The Bank intends to make the same annually provided documents available in future years on the same website.

By Order of the Board of Directors,



Marion J. Fahey  
*Clerk*

Dated: March 20, 2012