



1989

55 Main Street • Hingham, Mass. 02043 • 617-749-2200

March 21, 1989

Dear Stockholder:

You are cordially invited to the first Annual Meeting of Stockholders of the Hingham Institution for Savings to be held on Thursday, April 27, 1989, at 4:00 p.m. local time, at the South Shore Country Club, 274 South Street, Hingham, Massachusetts 02043.

At the Annual Meeting you will be asked to consider and vote upon: (1) the election of a class of five Directors of the Bank to serve for a three-year term and the ratification of the respective terms of the remaining Directors; (2) the election of a Clerk of the Bank; and (3) approval of the Bank's Stock Option Plan.

The Board of Directors of the Bank believes that the Stock Option Plan is in the best interests of the Bank and its stockholders because it will give the Bank's officers and key employees a direct incentive to improve the Bank's performance and thereby increase the value of the Bank to its stockholders. Accordingly, the Board of Directors of the Bank unanimously approved the adoption of the Stock Option Plan and recommends that you vote to approve the Stock Option Plan.

Since implementation of the Stock Option Plan requires a favorable vote of the holders of two-thirds of the outstanding common stock of the Bank entitled to vote at the Annual Meeting, it is important that your shares be represented, whether or not you are able to attend. You are urged to read the enclosed Proxy Statement and the accompanying materials. Please sign and return the enclosed Proxy in the postage-paid envelope provided at your earliest convenience regardless of the number of shares you own. If you attend the Annual Meeting and wish to vote in person by ballot, you may withdraw the Proxy upon oral request.

We look forward to seeing as many of you as can attend this Annual Meeting.

Sincerely,

Paul E. Bulman

Paul E. Bulman
President and
Chief Executive Officer

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HINGHAM INSTITUTION FOR SAVINGS
55 Main Street
Hingham, Massachusetts 02043
(617) 749-2200

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Holders of Common Stock of
HINGHAM INSTITUTION FOR SAVINGS:

NOTICE IS HEREBY GIVEN that the 1989 Annual Meeting of Stockholders of Hingham Institution for Savings (the "Bank") will be held at the South Shore Country Club, 274 South Street, Hingham, Massachusetts on Thursday, April 27, 1989 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 a class of five Directors of the Bank, each to hold office until the 1992 annual meeting of stockholders of the Bank or special meeting of stockholders in lieu thereof, and until his or her successor is elected and qualified, and to confirm and ratify the respective terms of the Directors holding office until the 1990 and 1991 annual or special meetings of stockholders;
2. To elect a Clerk of the Bank, to hold office until the next annual meeting of stockholders or special meeting of stockholders in lieu thereof, and until his or her successor is elected and qualified;
3. To consider and vote upon the approval of the Bank's 1988 Stock Option Plan (the "Stock Option Plan");
4. To transact such other business as may properly come before the Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 15, 1989, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting and any adjournments thereof.

Your attention is called to the accompanying Proxy Statement.

Hingham, Massachusetts
March 21, 1989

By Order of the Board of Directors,

J. Robert Crowley
Clerk

*1, 250, 000 stock
OUTSTANDING*

*1, 080 shares
VOTED*

IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING REGARDLESS OF THE NUMBER OF SHARES YOU MAY HOLD. PLEASE FILL IN, 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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HINGHAM INSTITUTION FOR SAVINGS

**55 Main Street
Hingham, Massachusetts 02043
(617) 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 South Shore Country Club, 274 South Street, Hingham, Massachusetts, on Thursday, April 27, 1989 at 4:00 p.m., local time.

Purpose of Annual Meeting

The purpose of the Meeting is: (1) to elect a class of five Directors of the Bank to serve for a three-year term and to confirm and ratify the respective terms of the other Directors of the Bank; (2) to elect a Clerk of the Bank; (3) to consider and vote upon the approval of the Bank's Stock Option Plan; and (4) to transact such other business as may properly come before the Meeting and any adjournment thereof.

Record Date and Required Stockholder Vote

The Board of Directors has fixed the close of business on March 15, 1989, 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 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 thereof. At the close of business on the Record Date, there were 1,250,000 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 650 holders of record of the Bank's common stock.

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, the affirmative vote of a majority of the shares present and voting, in person or by proxy, is necessary to approve the election of the class of Directors to be elected and the election of a Clerk of the Bank. The affirmative vote of two-thirds of the total votes eligible to be cast by stockholders of record of the Bank at the close of business on the Record Date is required to approve the proposal regarding the Stock Option Plan. On the Record Date, the Directors and executive officers of the Bank beneficially owned in the aggregate 5.80 percent of the issued and outstanding shares of the Bank's common stock which may be voted at the Meeting, all of which is expected to be voted in favor of the approval of the Stock Option Plan.

PROPOSAL ONE ELECTION OF CLASS OF DIRECTORS

The Bank's Amended and Restated 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.

At the Meeting, stockholders of the Bank are being asked to elect five Directors of the Bank to serve until the 1992 annual meeting of stockholders and until their successors are elected and qualified. The Board of Directors of the Bank has nominated Paul E. Bulman, J. Robert Crowley, Jon S. Davis, Richard B. Lane and John R. Lombardo for reelection as Directors. The stockholders are also being asked to confirm and ratify the terms of the remaining eight Directors who would continue to serve as Directors until the expiration of their terms in 1990 and 1991, as the case may be. See "ELECTION OF DIRECTORS (Notice Item 1)."

The Board of Directors of the Bank recommends that the stockholders vote FOR the election of the five nominees as Directors of the Bank and for the confirmation and ratification of the terms of the remaining eight Directors.

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 reelect J. Robert Crowley, the nominee proposed by the Board of Directors, as Clerk of the Bank to serve until the 1990 annual meeting of stockholders, or special meeting in lieu thereof, and until his 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 J. Robert Crowley as Clerk of the Bank.

**PROPOSAL THREE
STOCK OPTION PLAN**

Prior to the completion of the conversion of the Bank to stock form, the Board of Trustees of the Bank adopted the Stock Option Plan as a performance incentive for its Directors, officers and key employees. See "RECENT CONVERSION." The Stock Option Plan provides for the grant of both incentive and non-qualified stock options. The maximum number of shares of common stock reserved for issuance pursuant to the Stock Option Plan is 125,000. The Board of Directors has granted, subject to the approval of stockholders and of the Commissioner of Banks of the Commonwealth of Massachusetts, options covering a total of 53,600 shares of the Bank's common stock. See "APPROVAL OF STOCK OPTION PLAN (Notice Item 3)."

The Board of Directors of the Bank has unanimously approved the Stock Option Plan and recommends that stockholders vote FOR adoption of the Stock Option Plan.

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

Accompanying this Proxy Statement is a Notice of the Annual Meeting of Stockholders of Hingham Institution for Savings to be held at the South Shore Country Club, 274 South Street, Hingham, Massachusetts on Thursday, April 27, 1989, at 4:00 p.m. local time. Also enclosed is a form of proxy for the Meeting (and any adjournment 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 and are first being sent to stockholders on or about March 21, 1989. 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 15, 1989. Shares 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 it. The proxy contains spaces in which you may insert instructions as to how your shares are to be voted with regard to electing a class of five Directors and the Clerk, and approving the Stock Option Plan described in this Proxy Statement. If you specify instructions with respect to any of the proposals, your shares will be voted in accordance with your instructions. If no instructions are specified, your shares will be voted FOR the election as Directors of the nominees named herein and ratification of the terms of remaining Directors, FOR the election as Clerk of the nominee named herein and FOR the approval of the Stock Option Plan.

Your proxy may be revoked at any time before it is exercised. Any stockholder attending the Meeting may vote in person even though he may have previously filed a proxy. Your proxy may be revoked by written notice to the Bank prior to the Meeting or at the Meeting prior to a vote.

At the close of business on March 15, 1989, 1,250,000 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 15, 1989 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 this 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 majority of the Common Stock constituting the quorum is required to elect the Directors and 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. The affirmative vote of two-thirds of the holders of the Common Stock is required to approve the Stock Option Plan as set forth in Notice Item 3.

ELECTION OF DIRECTORS

(Notice Item 1)

The Board of Directors of the Bank currently consists of fourteen members. Under the By-Laws, as amended, the Directors of the Bank are designated into three classes as equivalent in size as possible, with each such class of Directors being elected every third year at the annual or special meeting of stockholders held that year. Each Director of the Class elected at such 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.

Under the Bank's original Plan of Conversion, the terms of office for the individual Trustees were cancelled and three new classes of three-year terms were set up for the Board of Directors. See "RECENT CONVERSION." The first class is up for election at this Meeting, and therefore its term will expire at the 1992 annual meeting. The Board of Directors is also asking for stockholder ratification of the two remaining classes of Directors. Under the Plan of Conversion, one Director, Paul E. Bulman, was originally designated as a member of the third class of Directors whose terms expire at the 1991 annual meeting. However, one member of the Board of Directors whose term expires at this Meeting, Wilfred H. Creighton, has not been nominated for reelection by the Board of Directors, and Mr. Bulman has been nominated in Mr. Creighton's place. Therefore, Mr. Bulman no longer occupies his original position as Director in the class of Directors with terms expiring at the 1991 annual meeting. See "CHANGE IN MANAGEMENT."

At this Meeting, each Director of the first class of Directors will be elected to hold office until the annual meeting of the stockholders of the Bank held during the calendar year 1992, and until his or her successor is elected and qualified, or until his or her earlier resignation, death or removal.

The names of the nominees for Directors and certain information received from them are set forth below. All of the nominees are currently Directors and each 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 table lists the name of each nominee, his age, period of service as a Director of the Bank (or as a Trustee of the Bank before its conversion to stock form), positions with the Bank, principal occupation and other directorships held. Each nominee has been engaged in his principal occupation for at least five years, unless otherwise indicated.

**Nominees for Election at This Meeting
With Terms Expiring at the 1992 Annual Meeting**

| <u>Director's Name and Age</u> | <u>Positions With Bank</u> | <u>Director or Trustee (1) of Bank Since</u> | <u>Principal Occupation</u> |
|--------------------------------------|--|--|--|
| Paul E. Bulman (2) Age - 50 | President, Chief Executive Officer and Director | 1988 | President and Chief Executive Officer of the Bank |
| J. Robert Crowley Age - 65 | Clerk of Corpora- tion and Director | 1971 | Marketing Manager for the Bank |
| Jon S. Davis Age - 45 | Director | 1980 | Partner, law firm of Driscoll & Davis |
| Richard B. Lane Age - 55 | Director | 1980 | Partner, law firm of Lane, Lane and Kelly |
| John R. Lombardo Age - 55 | Director | 1982 | President, Treasurer and Owner of High Vacuum Equipment Corp. |

- (1) Each of the present Directors of the Bank were also Trustees of the Bank before the Bank converted to stock form on December 20, 1988. As a result of such conversion, each individual listed became a Director in 1988, and any date prior to 1988 indicates service as a Trustee of the Bank from the year given until December 20, 1988. See "RECENT CONVERSION."
- (2) Mr. Bulman joined the Bank in June, 1988, as Executive Vice President. On February 15, 1989, he became President and Chief Executive Officer of the Bank. Before joining the Bank, Mr. Bulman was a Senior Vice President of the New Bedford Institution for Savings. From 1984 to 1987, Mr. Bulman was the Commissioner of Banks for the Commonwealth of Massachusetts.

DIRECTORS NOT STANDING FOR ELECTION

The tables set forth below provide certain information with respect to the second and third classes of Directors who have been elected to serve until the 1990 and 1991 annual meetings, respectively, and until their successors are elected and qualified or until their earlier resignation, death or removal.

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

**Directors Whose Terms Will Expire at the
1990 Annual Meeting**

| <u>Director's Name and Age</u> | <u>Positions With Bank</u> | <u>Director or Trustee of Bank Since</u> | <u>Principal Occupation</u> |
|------------------------------------|---------------------------------------|--|--|
| Vito A. Nardo Age - 55 | Director | 1983 | President, BLT Spirits Inc.; liquor retail store |
| Warren B. Noble Age - 58 | Director | 1980 | President, Noble Camera Shops, Inc. |
| Gerard W. Pyne Age - 57 | Chairman of the Board of Directors | 1965 | Accountant, John J. Pyne, CPA, P.C. |
| Russell G. Sears Age - 44 | Director | 1981 | President and Chief Executive Officer, Developmental Expeditions, Inc.; firm specializing in courses for self development (1) |

- (1) From 1978 to 1985, Mr. Sears was the President of Walsh and Packard, Inc., a hardware firm.

**Directors Whose Terms Will Expire at the
1991 Annual Meeting**

| <u>Director's Name and Age</u> | <u>Positions With Bank</u> | <u>Director or Trustee of Bank Since</u> | <u>Principal Occupation</u> |
|------------------------------------|--|--|---|
| Robert F. Cass Age - 46 | Vice President, Treasurer and Director | 1988 | Vice President and Treasurer of the Bank |
| Herbert E. Soini Age - 63 | Director | 1978 | Senior Mechanical Engineer, Thermo Electron Corp. |

| <u>Director's Name and Age</u> | <u>Positions With Bank</u> | <u>Director or Trustee of Bank Since</u> | <u>Principal Occupation</u> |
|------------------------------------|--------------------------------|--|--|
| Helen Summers..... Age - 66 | Director | 1983 | Retired; former member of the Town of Hingham Advisory Committee |
| David L. Wightman..... Age - 51 | Director | 1985 | Vice President, Alewife Land Corp. (a subsidiary of W.R. Grace & Co.); Vice President-Admin- istration of Construction Products Division, W.R. Grace & Co. |

Since the Bank's conversion to stock form, Kenneth M. Garland, Carleton N. Goff and Herbert T. McMeekin, Jr. have left the Board of Directors of the Bank. Wilfred H. Creighton, the former President and Chief Executive Officer, was not nominated for reelection as a Director of the Bank. For more information on the circumstances relating to Mr. Creighton, see "CHANGE IN MANAGEMENT" below. See also "RECENT CONVERSION."

CHANGE IN MANAGEMENT

Removal of Wilfred H. Creighton as President and Chief Executive Officer

On February 2, 1989, the Board of Directors of the Bank voted to remove Wilfred H. Creighton, for cause, from his positions as President, Chief Executive Officer and member of the Executive Committee of the Board of Directors. His removal for cause was governed by the provisions of Mr. Creighton's Executive Employment and Insurance Agreement, dated as of January 1, 1985 and as amended on August 4, 1988 and November 3, 1988 (the "1985 Agreement"). While Mr. Creighton is currently a member of the Board of Directors, his term expires as of this Meeting. The Board of Directors has chosen not to nominate him for reelection. Mr. Creighton had been on a voluntary leave of absence from all of his positions since January 25, 1989, when he delivered a letter to that effect to the Board of Directors. The 1985 Agreement provided minimum annual compensation, participation in bonus awards, or other incentive compensation plans. The Agreement also provided an executive retirement benefit in excess of the retirement benefit provided by the Savings Banks Employees Retirement Association. The Bank has taken the position that, because Mr. Creighton was terminated for cause under the 1985 Agreement, he is not entitled to certain retirement benefits originally provided therein.

Shortly after the commencement of Mr. Creighton's leave of absence, the Board designated

Paul E. Bulman, the Executive Vice President, as the acting President and Chief Executive Officer. Mr. Bulman continued in that capacity until February 15, 1989, when the Board elected him as President and Chief Executive Officer and nominated him to stand for election in the class of Directors whose terms expire at the 1992 Annual Meeting of the Bank. Mr. Bulman joined the Bank in June 1988 as its Executive Vice President. Prior to that, he was a Senior Vice President of the New Bedford Institution for Savings, headquartered in New Bedford, Massachusetts. From 1984 to 1987, Mr. Bulman was the Commissioner of Banks for the Commonwealth of Massachusetts. Prior to his appointment as Commissioner, Mr. Bulman served in various other capacities with the Massachusetts Bank Commissioner's Office.

After accepting Mr. Creighton's voluntary leave of absence, the Board of Directors of the Bank began an internal investigation of certain transactions between Mr. Creighton and certain borrowers of the Bank, which possibly involved direct payments to Mr. Creighton. After that internal investigation, the Board voted to remove Mr. Creighton for cause and to notify appropriate state and federal regulatory and law enforcement authorities, including the Federal Deposit Insurance Corporation, the Office of the Commissioner of Banks of the Commonwealth of Massachusetts, the United States Attorney's Office, the Federal Bureau of Investigation, and the Plymouth County District Attorney's Office. As of the date hereof, any or all of those authorities may be continuing their investigations into the matter. The Bank also filed a civil action for injunctive relief and damages against Mr. Creighton in Plymouth County Superior Court on February 3, 1989. That action is still in progress.

While no assurances can be given as to the ultimate outcome of the civil action or any investigation, as of the date hereof, the management of the Bank believes that adequate loan loss provisions have been made and that sufficient collateral exists to support the loans to borrowers who may be involved with the transactions in question. In addition, based on the facts known by the Bank to date, it believes that grounds exist to mount a strong defense against any claims which may be brought against the Bank in such civil action.

A copy of the Bank's Current Report for the month of February, 1989 on Form F-3 is on file with the Federal Deposit Insurance Corporation. Such report is in regards to the matters discussed in this section.

MEETINGS OF THE BOARD OF TRUSTEES AND BOARD OF DIRECTORS

Because the Bank converted from a mutual form savings bank to a stock form savings bank on December 20, 1988, there was only one Board of Directors meeting in 1988. Instead, the Board's predecessor, the Board of Trustees, met seven times in 1988 and had three principal committees: the Board of Investment, the Auditing Committee and the Personnel Committee.

The Board of Investment, composed of five Trustee members, acted as an executive committee that oversaw the management policies and affairs of the Bank. This committee met monthly. The members of the Board of Investment were Wilfred H. Creighton, J. Robert

Crowley, Carleton N. Goff, Gerard W. Pyne and Herbert E. Soini.

The Auditing Committee, composed of three Trustee members, approved the Bank's annual audit and presented the audit report to the Board of Trustees. This committee met quarterly. The members of the Auditing Committee were John P. Lombardo, Warren B. Noble and David L. Wightman.

The Personnel Committee, composed of six Trustee members, reviewed existing compensation and made recommendations on executive compensation to the Board of Directors in order to ensure that the Bank was able to recruit and retain highly qualified personnel. This committee met twice each year. The members were Wilfred H. Creighton, J. Robert Crowley, John R. Lombardo, Herbert T. McMeekin, Gerard W. Pyne and David L. Wightman.

Upon consummation of the conversion of the Bank, as required by Massachusetts law, the Board of Directors elected an Executive Committee, in lieu of its Board of Investment. The Executive Committee meets on a monthly basis. The Executive Committee, with the approval of the full Board of Directors, makes 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 current members are Paul E. Bulman, Robert F. Cass, J. Robert Crowley, Gerard W. Pyne, Herbert E. Soini and David L. Wightman.

There is an Auditing Committee and a Personnel Committee which essentially continue with their noted responsibilities, and a Stock Option Committee.

The Stock Option Committee will meet quarterly to review and administer the Bank's Stock Option Plan pursuant to its terms. The current members are Jon S. Davis, Richard B. Lane, John R. Lombardo and Herbert E. Soini. See "APPROVAL OF STOCK OPTION PLAN (Notice Item 3)".

In 1988, none of the present Directors of the Bank attended fewer than 75% of the aggregate of (i) the total number of meetings of the Board of Trustees, or of the Board of Directors, as the case may be, and (ii) the total number of meetings held by committees thereof on which such present Director served (for such period of the year as he or she served) except for Jon S. Davis and Richard B. Lane. Mr. Davis was on vacation at the time of certain special meetings called on short notice, and Mr. Lane was an interested Director with respect to certain matters discussed at certain meetings from which he was absent.

RECENT CONVERSION

On December 20, 1988, the Bank converted from a mutual form to a stock form of organization (the "Conversion") through the sale of 1,250,000 shares of its common stock, \$1.00 par value per share (the "Common Stock"), in a subscription and direct community offering and an underwritten public offering. The sale of this Common Stock resulted in approximately \$9.6 million (net of conversion costs and underwriting discounts) of new equity capital and a significant increase in net worth.

EXECUTIVE COMPENSATION

The following table sets forth the cash and cash equivalent forms of compensation of the five most highly compensated principal officers or Directors of the Bank whose total cash and cash equivalent compensation (exclusive of contingent compensation) exceeds \$50,000, and all principal officers and Directors as a group, for the year ended December 31, 1988.

Cash and Cash Equivalent Forms of Compensation

| <u>Name of Individual or Number of Persons in Group</u> | <u>Capacities in Which Served (1)</u> | <u>Salaries, Fees, and Bonuses (2)</u> | <u>Securities or Property, Insurance Benefits or Reimbursement, Personal Benefits (3)</u> | <u>Aggregate Contingent Forms of Compensation (4)</u> |
|--|--|--|---|---|
| Wilfred H. Creighton | (President, Chief Execu- tive Officer and Director) | \$137,155 | \$3,028 | \$42,464 |
| Paul E. Bulman (5) | President, Chief Executive Officer and Director (Executive Vice President) | 50,346 | 282 | —0— |
| Robert F. Cass | Vice President, Treasurer and Director | 81,937 | 1,105 | 5,542 |
| Michael Donahue | Vice President - Lending | 63,935 | 914 | 8,549 |
| David L. Delano | Assistant Vice President | 63,970 | 976 | 4,861 |
| All principal officers and Directors as a group (19 persons) | | \$465,713 | \$6,305 | \$61,416 |

- (1) Present positions are indicated and former capacities appear in parentheses. See "CHANGE IN MANAGEMENT."
- (2) Does not include trustee fees, except for the total for all principal officers and Directors as a group given above, because full time officers do not receive such fees. See "Trustees' and Directors' Fees" below.

- (3) Includes the use of automobiles for personal and business purposes for Messrs. Bulman, Cass and Donahue.
- (4) Includes amounts designated for the above-named persons pursuant to the Retirement Plan for the Bank under the Savings Bank Employees Retirement Association.
- (5) Because Mr. Bulman joined the Bank as its Executive Vice President in June 1988, he received salary and compensation for only part of the year. Upon becoming the President and Chief Executive Officer of the Bank on February 15, 1989, Mr. Bulman's rate of salary increased to \$100,000 per year.

Trustees' and Directors' Fees

Trustees of the Bank received \$60 for each Board of Trustees meeting they attended. No such fees were paid to members of the Board of Trustees who were also full-time employees of the Bank. The Clerk of the Bank received an annual fee of \$250. Since the Conversion of the Bank, the Bank's Directors who are not also employees of the Bank are paid \$300 for each Board of Directors meeting attended. The Chairman of the Board of Trustees received an annual fee of \$10,000. After the Conversion, this was raised to \$13,000 for the Chairman of the Board of Directors. The Clerk's annual fee is now \$300.

Members of the Board of Investment of the Board of Trustees received an annual fee of \$4,500 per non-employee member. The Clerk of the Board of Investment received \$240 annually. Members of the Audit Committee received an annual fee of \$400 per non-employee member, and a fee of \$25 per meeting attended was paid to non-employee members of the Personnel Committee. Since the Conversion, each member of the Executive Committee of the Board of Directors receives an annual fee of \$6,000. Each member of the Audit Committee of the Board of Directors receives \$100 for each committee meeting attended with the committee chairman receiving \$125 for each meeting attended. Each member of the Personnel Committee and the Stock Option Committee receives \$75 for each meeting attended, and the respective chairman of each committee receives \$100 for each committee meeting attended. None of these fees applies to any Director who is also an employee of the Bank.

Employment Agreements and Special Termination Agreements

Effective upon the Conversion and the Board's later ratification, the Bank entered into an employment agreement with each of Paul E. Bulman, Robert F. Cass and Michael Donahue (the "Employment Agreements") and special termination agreements with each of them (the "Special Termination Agreements"). Mr. Bulman entered into a new Employment Agreement and Special Termination Agreement on February 15, 1989 to reflect his change in position to President and Chief Executive Officer. Mr. Bulman's Agreements were effective as of such date. See "CHANGE IN MANAGEMENT." The Employment Agreements provide these executives with salary and benefits in accordance with the Bank's general policies as currently in effect. Mr. Bulman's Employment Agreement is for a three-year term and the Employment Agree-

ments for Mr. Cass and Mr. Donahue are for one-year terms, and all are extended automatically for successive one-year periods unless the Bank or the officer elects not to so extend before the expiration of the initial term and of each renewal term thereafter. The Bank is able to terminate the officer's employment without further liability for "cause," which includes, generally, deliberate dishonesty by the officer with respect to the Bank, conviction of the officer of any crime involving moral turpitude, or the gross and willful failure of the officer to perform a substantial portion of his duties and responsibilities. The Bank may also terminate such officer's employment without cause upon a two-third's vote of its Directors. In the event of termination of employment by the officer where there has been a breach of the Employment Agreement by the Bank, or termination by the Bank without cause (to the extent permitted by law), the officer would be entitled to receive his full salary for the duration of what would otherwise have been the term of his employment under the Employment Agreement. In addition, the officer would continue to be treated as an employee for purposes of the Bank's benefit plans (excluding cash bonus plans) for such period, or would be entitled to an equivalent economic benefit.

The Special Termination Agreements entered into with Messrs. Bulman, Cass and Donahue provide for severance payments if the officer's employment with the Bank is terminated following a change in control of the Bank (as defined in the Agreements) under certain circumstances, including termination of the officer by the Bank or resignation by the officer following a reduction in compensation, a significant change in the officer's authority or responsibility, or a determination by the officer that the officer is unable to exercise his prior authority or responsibility as a result of such change in control. In such event, Messrs. Bulman, Cass and Donahue would each receive an amount equal to approximately three times his average annual compensation over the five years prior to the change in control. Under the Special Termination Agreement, the officer would be entitled to collect benefits under either his Employment Agreement or the Special Termination Agreement, but not under both agreements.

EMPLOYEE BENEFIT PLANS

Employee Incentive Plan

The Bank maintains an incentive plan whereby an employee is eligible to receive a bonus composed of an amount, not to exceed 20% of the employee's salary, calculated through a formula based on the employee's respective salary and years of service, and an additional amount set at the discretion of the Personnel Committee and dependent on the Bank's earnings.

The following table sets forth expenses under the incentive plan for all principal officers and Directors entitled to such benefits and all Bank employees as a group.

**Annual Expenses For
Years Ended December 31.**

| <u>Name of Individual</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Wilfred H. Creighton | \$8,292 | \$17,443 | \$18,540 | \$21,260 | \$19,261 |
| Paul E. Bulman | n/a | n/a | n/a | n/a | n/a |
| Robert F. Cass | 5,484 | 10,685 | 11,100 | 12,300 | 13,845 |
| Michael Donahue | 3,742 | 10,558 | 10,000 | 11,000 | 10,405 |
| All Bank employees as a group | 64,604 | 152,499 | 156,000 | 168,000 | 172,000 |

Benefits

Insurance and Medical Plans. The Bank's full-time officers and employees, without contribution by or expense to them, are provided with master medical, life, travel accident, and salary continuation insurance under group plans which are available generally and on the same basis to all qualified full-time employees. Medical and life insurance for spouses and dependents is also provided. The Bank also maintains and funds a short-term and long-term sick leave plan.

The following table sets forth expenses under all insurance and medical plans for all principal officers and Directors entitled to such benefits and all Bank employees as a group.

**Annual Expenses For
Years Ended December 31.**

| <u>Name of Individual</u> | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Wilfred H. Creighton | \$3,218 | \$4,500 | \$4,776 | \$4,938 | \$6,338 |
| Paul E. Bulman | n/a | n/a | n/a | n/a | 1,973 |
| Robert F. Cass | 2,083 | 2,949 | 3,040 | 3,765 | 4,432 |
| Michael Donahue | 2,013 | 2,887 | 2,964 | 3,672 | 4,232 |
| All Bank employees as a group | 63,642 | 72,023 | 85,774 | 94,361 | 94,878 |

Pension Plan The Bank provides a retirement plan for all eligible employees through the Savings Banks Employees Retirement Association ("SBERA"), an unincorporated association of savings banks operating within Massachusetts and any other organization providing services to or for savings banks. SBERA's sole purpose is to enable the participating employers to provide pensions and other benefits for their employees.

The following table sets forth the estimated accrual under the plan for all principal officers and Directors entitled to such benefits, as if any such person would have retired at the end of the year indicated and then began collecting benefits at age 65.

| <u>Name of Individual</u> | <u>Estimated Accrual For</u> <u>Years Ended December 31,</u> | | | | |
|---------------------------|---|-------------|-------------|-------------|-------------|
| | <u>1984</u> | <u>1985</u> | <u>1986</u> | <u>1987</u> | <u>1988</u> |
| Wilfred H. Creighton | \$25,575 | \$31,464 | \$38,292 | \$45,146 | \$52,644 |
| Paul S. Bulman | n.a. | n.a. | n.a. | n.a. | n.a. |
| Robert F. Cass | - 0 - | 1,188 | 2,280 | 3,636 | 5,484 |
| Michael Donahue | 13,596 | 13,596 | 13,596 | 13,596 | 16,056 |

Each full-time and part-time employee reaching the age of 21 and having completed at least 1,000 hours of service per twelve-month period beginning for three consecutive twelve-month periods with such employee's date of employment becomes a participant of the retirement plan. All participants are fully vested at the time of enrollment.

The retirement plan is a qualified defined benefit plan which does not require the employee to make any contribution to become a participant or to earn benefits under the plan. The benefits provided at age 65 are equal to 2% of the average compensation for each year of service with a member bank of SBERA with a maximum of 30 years (25 years in the case of the Bank's plan), reduced by 2% of the participant's social security benefits at age 65 for each year of service with a member bank of SBERA up to a maximum of 30 years (again, 25 years for the Bank). If an employee had worked for another Bank that had a benefits plan through SBERA that was not a defined benefits plan (e.g. a contributory plan), the employee could add the years of service under the other bank's plan to the years of service under the Bank's plan, not to exceed an aggregate of thirty years. Normal retirement age under the plan is 65; a reduced early retirement benefit is payable from age 50 to age 65 under certain conditions. At October 31, 1988, the latest date for which information is available, the present value of accumulated benefits was under funded as compared to the market values of the related available assets by approximately \$141,000.

The following table illustrates annual pension benefits for retirement at age 65 under the most advantageous plan provisions available for various levels of compensation and years of service. The figures in this table are based upon the assumption that the plan continues in its present form and certain other assumptions regarding social security benefits and compensation trends.

Annual Pension Benefit on Years of Service (1)

| <u>Compensation (2)</u> | <u>5 Years</u> | <u>10 Years</u> | <u>15 Years</u> | <u>20 Years</u> | <u>25 Years</u> |
|-------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| \$20,000 | \$1,220 | \$2,440 | \$3,660 | \$4,880 | \$6,100 |
| 40,000 | 3,040 | 6,080 | 9,120 | 12,160 | 15,200 |
| 60,000 | 4,994 | 9,989 | 14,983 | 19,978 | 24,972 |
| 80,000 | 6,994 | 13,989 | 26,983 | 27,978 | 34,972 |
| 100,000 | 8,994 | 17,989 | 30,983 | 35,978 | 44,972 |
| 120,000 | 10,994 | 21,989 | 32,983 | 43,978 | 54,972 |
| 140,000 | 12,994 | 25,989 | 38,983 | 51,978 | 64,972 |
| 150,000 | 13,994 | 27,989 | 41,983 | 55,978 | 69,972 |
| 170,000 | 15,994 | 31,989 | 47,983 | 63,978 | 79,972 |
| 200,000 | 18,994 | 37,989 | 56,983 | 75,978 | 98,064 |

- (1) Benefits computed on the basis of a straight-life annuity.
- (2) Average compensation for purposes of this table is based on the three years immediately preceding retirement.

In addition to the pension benefit described above which is funded entirely by contributions from the Bank, each participant in the plan may make contributions to the plan on a purely voluntary basis.

The following table sets forth estimated retirement benefits under the plan at normal retirement dates for all principal officers and Directors who are eligible for participation in the plan, based upon assumptions comparable to those referred to above.

| <u>Name of Individual</u> | <u>Years of Credited Service at Age 65</u> | <u>Estimated Annual Pension Benefit at Age 65</u> |
|---------------------------|--|---|
| Wilfred H. Creighton (1) | 30 | \$36,559 |
| Paul E. Bulman | 15 | 26,511 |
| Robert F. Cass | 24 | 26,087 |
| Michael Donahue | 36 | 19,788 |

- (1) The figure for Mr. Creighton reflects Mr. Creighton's election to retire as of his termination on February 2, 1989. Such amounts are not the subject of the current litigation between the Bank and Mr. Creighton. See "CHANGE IN MANAGEMENT".

Employees of the Bank

As of December 31, 1988, the Bank had 47 full time and 13 part time employees. The Bank considers its employee relationships to be excellent.

CERTAIN TRANSACTIONS WITH MANAGEMENT AND ASSOCIATES

Indebtedness of Management and Associates

The Bank makes loans and extends credit to Directors and officers of the Bank, and their associates, subject to the limitations of Massachusetts General Laws, Chapter 168, Section 19 and administrative guidelines issued thereunder. Additionally, the Bank is subject to FDIC regulations which require that loans to executive officers, Directors, and any other business that they control, be made at the same rates of interest and terms and conditions as those offered to unaffiliated third parties, and also impose approval procedures and limits on the amounts of such loans.

All such loans, as well as all loans to other employees of the Bank, are made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and do not involve more than the normal risk of collectibility or present other unfavorable features to the Bank.

Other Transactions

In addition to banking and financial transactions, the Bank may have had additional transactions with, or used products or services of, various organizations in which Directors may have interests or of which Directors of the Bank may be directors, officers or partners. However, any amounts so involved have in no case been material in relation to the business of the Bank, and it is believed that they have not been material in relation to the business of such other organizations in that the amount involved in any such transaction or series of transactions did not exceed \$50,000.

Since January 1, 1988, the Bank has paid legal fees not exceeding \$50,000 to the law firm of Driscoll & Davis, of which Jon S. Davis, a Director of the Bank, is a partner. At no time have such fees exceeded 5% of the gross revenues of that firm for any fiscal year. Such fees have been paid in connection with routine real estate matters on behalf of the Bank and have been reasonable in relation to the services provided. Moreover, most of such fees have been for matters in which the Bank was reimbursed for legal fees. It is expected that the Bank will continue to have similar transactions with, and use products or services of, such organizations in the future.

All future transactions between the Bank and its Directors, officers, holders of 5% or more of the shares of any class of its Common Stock and their affiliates will be on terms no less favorable to the Bank than could have been obtained by the Bank in arm's-length negotiation with unaffiliated third parties.

1989

**PRINCIPAL STOCKHOLDERS;
SECURITIES OWNERSHIP OF MANAGEMENT**

The Bank knows of no person (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) who is the beneficial owner of more than five percent (5%) of the Common Stock, the Bank's only voting security. The following table sets forth information with respect to Directors and principal officers who are the beneficial owners of the Common Stock of the Bank as of March 15, 1989. 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.

Amount and Nature of Beneficial Ownership of Common Stock*

| <u>Name</u> | <u>Number of Shares and Nature of Ownership (1)</u> | <u>Percent of Class</u> |
|--|---|-----------------------------|
| Paul E. Bulman | 10,582 (2) | 0.85% |
| Robert F. Cass | 4,583 | 0.37 |
| Wilfred H. Creighton | 18,051 (3) | 1.44 |
| J. Robert Crowley | 2,985 (4) | 0.24 |
| Jon S. Davis | 3,525 (5) | 0.28 |
| Michael Donahue | 1,739 (6) | 0.14 |
| Richard B. Lane | 5,882 (7) | 0.47 |
| John R. Lombardo | 1,739 | 0.14 |
| Vito A. Nardo | 1,859 (8) | 0.15 |
| Warren B. Noble | 7,058 | 0.56 |
| Gerard W. Pyne | 6,764 (9) | 0.54 |
| Russell G. Sears | 508 (10) | 0.04 |
| Herbert E. Soini | 2,000 (11) | 0.16 |
| Helen Summers | 119 | 0.01 |
| David L. Wightman | 5,117 (12) | 0.41 |
| Directors and principal officers as a group (15 persons) | <u>72,511</u> 72,511 | 5.80 |

- (1) Sole voting and investment power unless otherwise noted.
- (2) Mr. Bulman and his wife own 7,155 shares as joint tenants. Mr. Bulman's wife owns 472 shares as tenants in common with another member of the household. In addition, 708 shares are held in trust for members of Mr. Bulman's immediate family.
- (3) Mr. Creighton owns 17,892 shares as joint tenants with a member of his immediate family.

- (4) Mr. Crowley and his wife own 2,600 shares as joint tenants. Mr. Crowley's wife holds 264 shares in trust for members of Mr. Crowley's household.
- (5) Mr. Davis and his wife own 975 shares as joint tenants, and they hold 2,350 shares in trust for members of his immediate family.
- (6) Owned by Mr. Donahue and his wife as joint tenants.
- (7) Mr. Lane's wife owns 3,382 shares of record.
- (8) Mr. Nardo and his wife own 1,740 shares as joint tenants.
- (9) Mr. Pyne and his wife own 6,629 shares as joint tenants.
- (10) Mr. Sears' wife owns 270 shares of record.
- (11) Mr. Soini's wife owns 1,000 shares of record.
- (12) Mr. Wightman's wife owns 2,175 shares of record.
- * None of the shares noted above are deemed to be beneficially owned pursuant to the provisions of 12 C.F.R. §335.403(d)(1) (1988). The Bank has no equity securities outstanding other than its Common Stock.

All shares purchased by Directors and officers of the Bank in the Conversion are subject to the restriction that without the prior written consent of the Commissioner, such shares may not be sold or otherwise disposed of for value for a period of one year following the date of purchase, except for any disposition of such shares following the death or substantial disability (as determined by the Commissioner) of the original purchase. Any shares of Common Stock of the Bank issued pursuant to a stock dividend, stock split, or otherwise with respect to restricted shares will be subject to the same restrictions on resale. Also, in accordance with the requirements of Massachusetts banking regulations, no Director or officer of the Bank, and no associate of any such person, may purchase from the Bank any capital stock of the Bank for three years following the Conversion, without the prior written approval of the Commissioner. Such three-year restriction also prevents the exercise of any options granted under the Bank's Stock Option Plan. The Directors and executive officers of the Bank are subject also to certain other restrictions pursuant to section 16(b) of the Securities Exchange Act of 1934, as amended, relating to the purchase and sale of shares of Common Stock.

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 J. Robert Crowley be elected as Clerk of the Bank, to serve until the next annual meeting and until his successor is duly elected and qualified or until his earlier resignation, death or removal.

Mr. Crowley has served as Clerk since being elected by the Board of Trustees on September 1, 1988 as well as serving as the Bank's Marketing Manager for the past six years. Mr. Crowley was a member of the Board of Trustees since 1971, and is currently a member of the Board of Directors.

Unless contrary instructions are given, shares represented by proxies solicited by the Board of Directors will be voted FOR the election of J. Robert Crowley as Clerk of the Bank to serve until the next annual meeting and until his successor is duly elected and qualified or until his 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.

APPROVAL OF STOCK OPTION PLAN (Notice Item 3)

Before the Conversion, the Board of Trustees of the Bank had adopted the Stock Option Plan for the benefit of the Bank's officers, other employees and "Eligible Directors" (Directors who are also full-time employees of the Bank). The purpose of the Stock Option Plan is to provide a performance incentive to officers and employees and Eligible Directors by facilitating their purchase of a stock interest in the Bank. Under the Stock Option Plan, 125,000 shares of Common Stock have been reserved for possible issuance pursuant to options granted thereunder. The Board of Directors ratified the Stock Option Plan on February 15, 1989. Options granted prior to the approvals of the Stock Option Plan by the Commissioner and the stockholders of the Bank may not be exercised or otherwise implemented until such approvals have been obtained.

The Stock Option Plan provides for the grant of options that are intended to qualify as "incentive options" under Section 422A of the Internal Revenue Code of 1986, as amended (the "Code"), as well as non-qualified options. The market value of all stock available for purchase for the first time in any year under all Incentive Stock Options granted to any person under the Plan is limited to \$100,000. For this purpose, the value of the stock is determined at the date of grant of each such Option. The Stock Option Plan will be administered by an Option Committee of not less than three disinterested administrators who cannot receive options granted by the Option Committee. Members of the Option Committee are chosen upon recommendation by the Bank's President to the Executive Committee, with final approval by the Board of Directors. The Option Committee will have authority to select the Eligible Directors, officers and other employees to whom options may be granted, whether such options will be incentive options, the number of shares of Common Stock subject to such options and their terms.

For federal income tax purposes, no gain or loss will be recognized by the Bank or the optionee as a result of the grant or exercise of an incentive stock option, and any gain realized by an optionee at the time of sale of the shares acquired upon exercise of an incentive stock option will be treated as a capital gain, provided that such shares are held by the optionee for at least one year after the date of exercise and two years after the date of grant. However, as a result of changes made in the Code, the amount by which the fair market value of the stock at the time of the exercise exceeds the exercise price under the option may be subject to the alternative minimum tax, if otherwise applicable to the optionee. Only in the event that an optionee disposes of these shares prior to the close of the holding periods, will the Bank be entitled to claim a tax deductible expense, in an amount equal to the spread at exercise between the fair market value of the shares and exercise price.

In the case of non-qualified stock options, an optionee will be deemed to receive income taxable at ordinary income rates upon exercise of a non-qualified stock option in an amount equal to the difference between the exercise price and the fair market value of the stock on the date of exercise. The amount of such taxable income will be a deductible expense to the Bank.

The Stock Option Committee of the Bank may grant options under the Plan up until the tenth anniversary after the Plan becomes effective. The Plan will be effective after the Commissioner of Banks for the Commonwealth of Massachusetts grants its approval, which would occur only after the stockholders have approved the Plan at the Meeting. Options granted under the Plan may be exercised only by the Optionee, are not generally transferable and must be exercised during the life of the Optionee by the Optionee. Any options granted under the Plan shall be proportionately adjusted with respect to price and number of shares in the event of a stock split, combination or dividend paid in stock. Subject to regulatory approval, the Board of Directors may also amend or terminate the Plan; provided, however, that stockholder approval would be required where changes in amounts, prices, eligibility, terms or benefits are affected, nor may such termination or amendment adversely affect the rights of an Optionee without such Optionee's prior consent.

All options granted under the Stock Option Plan are required to have an exercise price per share equal to at least the fair market value of a share of stock on the date the option is granted. No option granted under the Plan is exercisable after the tenth anniversary of the date on which the option was granted or, if earlier, the termination of the Optionee's employment for cause, one year following the termination of the Optionee's employment on account of death or disability and 90 days following the termination of the Optionee's employment for any other reason. Payment for shares purchased pursuant to an option may be made in cash or check. To facilitate the exercise of options, the Option Committee may establish a loan program on such terms and conditions as it deems appropriate, which loans may not use as collateral any stock issued or issuable pursuant to options granted under the Stock Option Plan.

Subject to the foregoing, any options will be exercisable at such time or times as the Option Committee determines at the grant of the option. Massachusetts banking regulations also prohibit the exercise of any such options for three years following the Bank's Conversion

without prior written approval of the Bank Commissioner for special circumstances. However, all options will become exercisable in the event of a "Change in Control" (as defined in the Stock Option Plan). Because all outstanding options will be exercisable upon a Change in Control, it may be more expensive for companies or persons to acquire control of the Bank. This could result in deterrence of offers to the stockholders which might be viewed by such stockholders to be in their best interest and which might be at prices in excess of the then market value of the Bank's stock.

On February 21, 1989, the Option Committee voted to grant only the following options at an option price of \$8.50 per share, subject to the approval of the Stock Option Plan by the stockholders and the Commissioner of Banks of the Commonwealth of Massachusetts:

| <u>Employee Name</u> | <u>Number of Shares</u> |
|----------------------|-----------------------------|
| Paul E. Bulman | 20,000 |
| Robert F. Cass | 13,200 |
| Michael Donahue | 10,200 |
| David L. Delano | 10,200 |
| | <u>53,600</u> |

These options are non-qualified stock options and are exercisable in installments of 20% of the initial grant after the first and each subsequent anniversary of February 21, 1989.

EXAMINATION OF FINANCIAL STATEMENTS BY THE INDEPENDENT AUDITORS

The Board of Directors has selected the firm of Wolf & Company of Massachusetts, P.C. ("Wolf & Company"), independent certified public accountants, to be the independent auditors of the financial statements and records of the Bank for the fiscal year ending December 31, 1988. The Bank anticipates reappointing Wolf & Company as the independent auditors for the year ended December 31, 1989.

Wolf & Company has served as independent auditors of the Bank for more than ten years. Wolf & Company has no direct or indirect financial interest in the Bank nor has it had any connection with the Bank in the capacity of promoter, underwriter, voting trustee, director, officer or employee.

The professional services provided by Wolf & Company include the examination of the financial statements used in connection with the recent Conversion to stock form, review and filings with various state and federal regulatory agencies, general accounting services, and preparation of income tax returns. A representative of Wolf & Company is expected to be present at the meeting to respond to appropriate questions and will have the opportunity to make a statement if he so desires.

The consolidated financial statements of the Bank as of December 31, 1986, 1987 and 1988 and for each of the years in the three-year period ended December 31, 1988 have been examined and reported upon by Wolf & Company and are included in the Bank's 1988 Annual Report which accompanies this Proxy Statement.

OTHER MATTERS

(Notice Item 4)

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 1990 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 at the time the proposal is submitted and such person shall continue to own such shares through the date on which the meeting is held, (b) notifies the Bank in writing of his intention to appear personally or by appropriate representative at the meeting to present his proposal for action and (c) submits his proposal so that it is received at the Bank's principal executive office on or before February 23, 1990 for inclusion in the appropriate proxy statement and form of proxy relating to such meeting. 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, but not more than 150 days, prior to the date of the meeting, and that no other nominations or proposals by stockholders shall be acted upon at the meeting. 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 two proposals of not more than 300 words each for inclusion in the proxy materials and, under certain circumstances enumerated in the rules of the Federal Deposit Insurance Corporation 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 and will reimburse such record holders for their reasonable expenses in so doing.

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 STATEMENTS

At the main office and at each branch office of the Bank there are annual disclosure statements of the Bank available to the public pursuant to regulations of the Federal Deposit Insurance Corporation. Such statements may be obtained without charge, by any stockholder of the Bank upon written request addressed to the President, Hingham Institution for Savings, 55 Main Street, Hingham, Massachusetts 02043. These annual disclosure statements contain financial and other information as filed with the Federal Deposit Insurance Corporation for the fiscal years ended December 31, 1987 and December 31, 1988.

FORM F-2

A copy of the Bank's annual report on Form F-2 for the fiscal year ended December 31, 1988, as filed with the Federal Deposit Insurance Corporation, may be obtained without charge, by any stockholder of the Bank upon written request addressed to Paul E. Bulman, President, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

By Order of the Board of Directors,

J. Robert Crowley
Clerk

Dated: March 21, 1989

