

**HINGHAM INSTITUTION FOR SAVINGS**

**NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
PROXY STATEMENT**

***Date:***  
**Thursday, April 26, 1990**

***Time:***  
**4:00 P.M. E.S.T**

***Place:***  
**South Shore Country Club  
274 South Street  
Hingham, MA 02043**



March 28, 1990

Dear Stockholder:

You are cordially invited to the second Annual Meeting of Stockholders of the Hingham Institution for Savings to be held on Thursday, April 26, 1990, 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 (2) the election of a Clerk of the Bank.

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  
President and  
Chief Executive Officer

**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 1990 Annual Meeting of Stockholders of Hingham Institution for Savings (the "Bank") will be held at South Shore Country Club, 274 South Street, Hingham, Massachusetts on Thursday, April 26, 1990 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 1993 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;
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 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 20, 1990, 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.

By Order of the Board of Directors,

J. Robert Crowley  
Clerk

Hingham, Massachusetts  
March 28, 1990

**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 26, 1990 at 4:00 p.m., local time.

**Purpose of the 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; (2) to elect a Clerk of the Bank; and (3) 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 20, 1990, 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 700 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. On February 13, 1990, the Directors and Executive Officers of the Bank beneficially owned in the aggregate 4.50 percent of the issued and outstanding shares of the Bank's common stock which may be voted at the Meeting.

**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 1993 annual meeting of stockholders and until their successors are elected and qualified. The Board of Directors of the Bank has nominated John J. Flatley, Vito A. Nardo, Warren B. Noble, Gerard W. Pyne and Russell G. Sears for reelection as Directors. 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.**

**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 1991 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.**

**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 26, 1990, 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 28, 1990. 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 20, 1990. 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. 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 FOR the election as Clerk of the nominee named herein.

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 20, 1990, 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 20, 1990 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.



## **ELECTION OF DIRECTORS**

### **(Notice Item 1)**

The Board of Directors of the Bank currently consists of fifteen 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. At last year's annual meeting, five persons were elected as Directors in the first Class of Directors with terms expiring at the 1992 annual meeting ("Class I Directors") and the respective terms of the Directors holding office until the 1990 and 1991 annual or special meetings of stockholders were confirmed and ratified by the stockholders.

On October 18, 1989, the Board of Directors, pursuant to the By-Laws, as amended, voted to set the number of authorized Directors serving on the Board at fifteen by increasing the number of Directors in the Class of Directors with terms expiring at this Meeting ("Class II Directors") from four to five. The Board then elected John J. Flatley to serve as the new Class II Director until the expiration of the Class II Directors' term. At this Meeting, five persons will be elected as Class II Directors to hold office until the annual meeting of the stockholders of the Bank held during the calendar year 1993, 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 Class II 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 1993 Annual Meeting  
"Class II Directors"**

<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>
John J. Flatley ..... Age - 27	Director	1989	President, John J. Flatley Company; real estate development company
Vito A. Nardo ..... Age - 56	Director	1983	President, BLT Spirits Inc; retail liquor store
Warren B. Noble ..... Age - 59	Director	1980	Chief Executive Officer and Treasurer, Noble Camera Shops, Inc.
Gerard W. Pyne ..... Age - 58	Marketing Manager and Chairman of the Board of Directors	1965	Marketing Manager of the Bank (2)
Russell G. Sears ..... Age - 45	Director	1981	President and Chief Executive Officer, Developmental Expeditions, Inc.; firm specializing in courses for self development (3)

(1) With the exception of John J. Flatley, each of the present Directors of the Bank listed above was also a Trustee of the Bank before the Bank converted from a mutual form to a stock form of organization on December 20, 1988 (the "Conversion"). As a result of the Conversion, each individual listed with the exception of Mr. Flatley, 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.

(2) Mr. Pyne became Marketing Manager of the Bank in May, 1989. Prior to that, he was an accountant at John J. Pyne, CPA, P.C. Mr. Pyne and David L. Wightman, also a Director of the Bank, are brothers-in-law.

- (3) Since 1989, Mr. Sears has also been employed as an emergency medical technician by Commonwealth Ambulance Service, Inc., and, in 1986, by Bay State Ambulance & Hospital Rental Service, Inc.

**DIRECTORS NOT STANDING FOR ELECTION**

The tables set forth below provide certain information with respect to Directors who have been elected to serve until the 1991 annual meeting, and until their successors are elected and qualified or until their earlier resignation, death or removal ("Class III Directors"), and Class I Directors.

The tables list the name 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  
1991 Annual Meeting  
"Class III Directors"**

<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 - 47	Vice President, Treasurer and Director	1988	Vice President and Treasurer of the Bank
William E. Kelley ..... Age - 60	Director	1989	Retired; former Senior Vice President, Bank of New England (1)
Herbert E. Soini ..... Age - 64	Director	1978	Senior Mechanical Engineer, Thermo Electron Corp.
Helen F. Summers..... Age - 67	Director	1983	Retired; former member of the Town of Hingham Advisory Committee
David L. Wightman..... Age - 52	Director	1985	Vice President, and Director, Alewife Land Corp. and Alewife Boston Ltd.; Vice President- Administration of Construction Products Division, W.R. Grace & Co. (2)

- (1) Mr. Kelley was elected as Director on October 18, 1989 to fill the vacancy created in the Class III of Directors when Mr. Bulman who originally, under the Bank's Plan of Conversion, was a Class III Director, was nominated and elected as a Class I Director. From 1983 to 1986, Mr. Kelley was President of Bank of New England - Hancock.
- (2) Mr. Wightman and Gerard W. Pyne, Chairman of the Board of Directors, are brothers-in-law.

**Directors Whose Terms Will Expire at the  
1992 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</u>
Paul E. Bulman ..... Age - 51	President, Chief Executive Officer and Director	1988	President and Chief Executive Officer of the Bank (1)
J. Robert Crowley ..... Age - 66	Clerk of Cor- poration and Director	1971	Retired; former Marketing Manager of the Bank
Jon S. Davis ..... Age - 46	Director	1980	Partner, law firm of Driscoll & Davis
Richard B. Lane ..... Age - 56	Director	1980	Partner, law firm of Lane, Lane and Kelly
John R. Lombardo ..... Age - 56	Director	1982	President, Chief Executive Officer and Owner, High Vacuum Equipment Corp.; Chairman of the Board, High Vacuum Systems, Inc., Toronto

- (1) 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 1983 to 1987, Mr. Bulman was the Commissioner of Banks for the Commonwealth of Massachusetts.

## **MEETINGS OF THE BOARD OF DIRECTORS**

The Board of Directors which met 12 times in 1989 has four principal committees: the Executive Committee, the Audit Committee, the Personnel Committee and the Stock Option Committee.

The Executive Committee, composed of six Director members, oversees the management policies and affairs of the Bank. This 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." This committee met 12 times in 1989. The current members of the Executive Committee are Paul E. Bullman, Robert F. Cass, J. Robert Crowley, Gerard W. Pyne, Herbert E. Soini and David L. Wightman.

The Audit Committee, composed of four Director members, approves the Bank's annual audit and presents the audit report to the Board of Directors. This committee met 5 times in 1989. The current members of the Audit Committee are John P. Lombardo, Warren B. Noble, Russell G. Sears and Helen F. Summers.

The Personnel Committee, composed of six Director members, reviews existing compensation and makes recommendations on executive compensation to the Board of Directors in order to ensure that the Bank is able to recruit and retain highly qualified personnel. This committee met 3 times in 1989. The current members are J. Robert Crowley, John R. Lombardo, Warren B. Noble, Gerard W. Pyne, David L. Wightman and Herbert E. Soini.

The Stock Option Committee, composed of five Director members, meets as appropriate to review and administer the Bank's Stock Option Plan pursuant to its terms. This committee met 2 times in 1989. The current members are Jon S. Davis, Richard B. Lane, John R. Lombardo, Vito A. Nardo and Herbert E. Soini. See "EMPLOYEE BENEFITS PLAN-Stock Option Plan."

In 1989, 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 Directors 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).

## **EXECUTIVE COMPENSATION**

The following table sets forth information as to the cash compensation of the three most highly compensated principal officers of the Bank whose total cash compensation exceeded \$60,000, and all principal officers as a group, for the year ended December 31, 1989.

**Cash Compensation Table**

<u>Name of Individual or Number of Persons in Group</u>	<u>Capacities in Which Served (1)</u>	<u>Cash Compensation (2)</u>
Paul E. Bulman (3)	President, Chief Executive Officer and Director (Executive Vice President)	\$116,180.44
Robert F. Cass	Vice President, Treasurer and Director	\$ 76,791.76
Michael Donahue	Vice President - Lending	\$ 60,976.24
All principal officers as a group (6 persons)		\$360,645.00 (4)

- (1) Present positions are indicated and former capacities appear in parentheses.
- (2) Does not include Directors' fees, except for those fees paid to the Chairman of the Board prior to him becoming a full-time officer in May, 1989. See "Directors' Fees" below.
- (3) 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. See "Employment Agreements and Special Termination Agreements" below
- (4) Includes compensation paid to Mr. Wilfred H. Creighton until his removal for cause by the Board of Directors from his positions as President and Chief Executive Officer on February 2, 1989. Also includes compensation paid to Gerard W. Pyne, Chairman of the Board of Directors of the Bank, beginning in May, 1989 when Mr. Pyne became employed by the Bank as the Marketing Manager at an annual salary of \$40,000.

**Directors' Fees**

Directors of the Bank receive \$300 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 an annual fee of \$300. In 1989, the Chairman of the Board of Directors received an aggregate fee of \$4,600 until May, 1989, at which time the Chairman of the Board became a full-time employee of the Bank and therefore did not continue to collect any such fee. This fee has been included in the Cash Compensation Table above.

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 of Director'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. The Employment Agreements provide Messrs. Bulman, Cass and Donahue with benefits and a "Base Salary" of \$100,000, \$66,000 and \$51,000 respectively with adjustments made each year on April 1 by the Personnel Committee in accordance with the Bank's general policies as currently in effect and pursuant to the discretion of the Personnel Committee. Mr. Bulman's Employment Agreement is for a three-year term and the Employment Agreements 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

Until October 31, 1989, the Bank maintained an incentive plan whereby an employee was 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.

On October 31, 1989, the Bank terminated this incentive plan, and all nonmanagement employees of the Bank were granted a 10% increase in each of their respective salaries. The Board of Directors is considering the terms of a new incentive plan for the Bank's management personnel only.

The following table sets forth expenses under the terminated incentive plan for the individuals and the group named in the Cash Compensation Table entitled to such benefits.

<u>Name of Individual</u>	<u>Annual Expenses For Year Ended December 31, 1989</u>
Paul E. Bulman	\$18,488
Robert F. Cass	\$ 7,238
Michael Donahue	\$ 7,230
All principal officers as a group (6 persons)	\$40,378

### 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 the individuals and the group named in the Cash Compensation Table entitled to such benefits.



<u>Name of Individual</u>	<u>Annual Expenses For Year Ended December 31, 1989</u>
Paul E. Bulman	\$ 1,536
Robert F. Cass	\$ 4,651
Michael Donahue	\$ 4,480
All principal officers as a group (6 persons)	\$19,581

*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 the individuals named in the Cash Compensation Table who are 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>Annual Expenses For Year Ended December 31, 1989</u>
Paul E. Bulman	-0-
Robert F. Cass	\$6,670
Michael Donahue	\$7,889

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 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, 1989, 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 \$406,945.

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)**

<b>Compensation (2)</b>	<b>10 Years</b>	<b>15 Years</b>	<b>20 Years</b>	<b>25 Years</b>
\$20,000	\$ 2,682	\$ 4,023	\$ 5,364	\$ 6,705
40,000	6,382	9,573	12,764	15,955
60,000	10,082	15,123	20,164	25,205
80,000	13,782	20,673	27,564	34,455
100,000	17,482	26,223	34,964	43,705
120,000	21,182	31,773	42,364	52,955
140,000	24,882	37,323	49,764	62,205
150,000	26,732	40,098	53,464	66,830
160,000	28,582	42,873	57,164	71,455
170,000	30,432	45,648	60,864	76,080
200,000	35,982	53,973	71,964	89,955

(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 certain officers of the Bank 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>
Paul E. Bulman	15	\$29,065
Robert F. Cass	24	\$28,371
Michael Donahue	36	\$22,566

#### **Stock Option Plan**

Before the Conversion, the Board of Trustees of the Bank had adopted the 1988 Stock Option Plan (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. The Stock Option Plan was then ratified at the 1989 Annual Meeting of Stockholders, and approved by the Commissioner of Banks of the Commonwealth of Massachusetts on May 8, 1989, at which time it became effective.

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 is 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 has 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 May 8, 1989. 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.

As of December 31, 1989, options for 53,600 shares of Common Stock had been granted to 4 persons pursuant to the Stock Option Plan.

The following table sets forth, for the individuals and the group named in the Cash Compensation Table, the aggregate number of all shares of the Bank's Common Stock for which options were granted during the fiscal year ended December 31, 1989, all such options being granted at an average per share option price of \$8.50:

<u>Employee Name</u>	<u>Number of Shares</u>
Paul E. Bulman	20,000
Robert F. Cass	13,200
Michael Donahue	10,200
All principal officers as a group (4 persons)	53,600

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. Accordingly, no options were exercised prior to 1990.

#### **Employees of the Bank**

As of December 31, 1989, the Bank had 48 full-time and 17 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 \$60,000.

Since January 1, 1989, the Bank has paid legal fees not exceeding \$60,000 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.

**PRINCIPAL STOCKHOLDERS;  
SECURITIES 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, principal officers and persons (including any "group" as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) who are known to be the beneficial owners of more than five percent (5%) of the Common Stock of the Bank as of February 13, 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	10,834 (2)	0.87%
Robert F. Cass	4,641	0.37%
J. Robert Crowley	2,985 (3)	0.24%
Jon S. Davis	3,557 (4)	0.28%
Michael Donahue	1,761 (5)	0.14%
John J. Flatley	300 (6)	0.02%
William E. Kelley	1,000 (7)	0.08%
Richard B. Lane	5,882 (8)	0.47%
John R. Lombardo	1,761	0.14%

<u>Name</u>	<u>Number of Shares and Nature of Ownership (1)</u>	<u>Percent of Class</u>
Vito A. Nardo	1,859 (9)	0.15%
Warren B. Noble	7,147	0.57%
Gerard W. Pyne	6,764 (10)	0.54%
Russell G. Sears	508 (11)	0.04%
Herbert E. Soini	2,000 (12)	0.16%
Helen Summers	119	0.01%
David L. Wightman	5,181 (13)	0.41%
Directors and principal officers as a group (16 persons)		4.50%

- (1) Sole voting and investment power unless otherwise noted.
- (2) Mr. Bulman and his wife own 7,245 shares as joint tenants. Mr. Bulman's wife owns 478 shares as tenants in common with another member of the household. In addition, 717 shares are held in trust for members of Mr. Bulman's immediate family.
- (3) 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 family.
- (4) Mr. Davis and his wife own 975 shares as joint tenants, and they hold 2,379 shares in trust for members of his immediate family.
- (5) Mr. Donahue and his wife own 1,761 shares as joint tenants.
- (6) Owned by Mr. Flatley and the Thomas J. Flatley Trust.
- (7) Owned by Mr. Kelley and his wife as joint tenants.
- (8) Mr. Lane's wife owns 3,382 shares of record.
- (9) Mr. Nardo and his wife own 1,740 shares as joint tenants.
- (10) Mr. Pyne and his wife own 6,629 shares as joint tenants.
- (11) Mr. Sears' wife owns 270 shares of record.
- (12) Mr. Soini's wife owns 1,000 shares of record.
- (13) Mr. Wightman's wife owns 2,202 shares of record.

To the best of the Bank's knowledge, except as stated immediately below, there are no persons who are known to be the beneficial owners of more than five percent (5%) of the Bank's Common Stock. However, the Bank has received on file a copy of an Ownership Statement on Form F-11, dated October 26, 1989, for Peter F. and William S. O'Connell and O'Connell Management Company, Inc. (the "Form F-11"). The Form F-11 reports that Peter O'Connell and William O'Connell are the beneficial owners respectively of 31,750 and 31,250 shares of the Bank's Common Stock, or 2.54% and 2.50% respectively of the outstanding shares of Common Stock. The Form F-11 states that neither Peter nor William O'Connell concede that they possess any intention to act together as a group or as part of a group in connection with their beneficial ownership of shares in the 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 Bank's former Board of Trustees on September 1, 1988. On May 1, 1989, Mr. Crowley retired after serving as the Bank's Marketing Manager for 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.

#### **EXAMINATION OF FINANCIAL STATEMENTS BY THE INDEPENDENT AUDITORS**

The Board of Directors has selected the firm of K P M G Peat Marwick ("Peat Marwick"), 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, 1990. Peat Marwick has no direct or indirect financial interest in the Bank nor has it had any connection with the Bank in the capacity of promoter, voting trustee, director, officer or employee. A representative of Peat Marwick 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.

On January 17, 1990, the Audit Committee of the Board of Directors recommended to the Board of Directors, and on the same date the full Board of Directors voted to dismiss Wolf & Company of Massachusetts, P.C. ("Wolf & Company") as the Bank's auditors which dismissal was effective March 15, 1990, and to approve the engagement of Peat Marwick as the independent auditors for the Bank's current fiscal year. Wolf & Company served as independent auditors of the Bank in connection with the audit of the Bank for the year ended December 31, 1989 and for more than ten years before that.

In relation to the audits of the years ending December 31, 1988 and December 31, 1989, there were no material disagreements with Wolf & Company on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. No report by Wolf & Company on the financial statements of the Bank for such past two years has contained an adverse opinion or a disclaimer of opinion or was qualified as to uncertainty, audit scope or accounting principles.

The professional services provided by Wolf & Company for the fiscal year ended December 31, 1989 included the examination of the financial statements of the Bank as of December 31, 1989, review of filings with various state and federal regulatory agencies, general accounting services, and preparation of income tax returns. A representative of Wolf & Company may be present at the Meeting to respond to appropriate questions and will have the opportunity to make a statement if he so desires.

The financial statements of the Bank as of December 31, 1987, 1988 and 1989 and for each of the years in the three-year period ended December 31, 1989 have been examined and reported by Wolf & Company and are included in the Bank's 1989 Annual Report which accompanies this Proxy Statement.

**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 1991 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 that 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 December 22, 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, with proxy material for transmittal to such beneficial owners 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, 1988 and December 31, 1989.

**FORM F-2**

**A copy of the Bank's annual report on Form F-2 for the fiscal year ended December 31, 1989, 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 28, 1990

