



NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS  
AND  
PROXY STATEMENT

*DATE*  
APRIL 25, 1996

*TIME*  
4:00 P.M. Local Time

*PLACE*  
Old Derby Academy  
34 Main Street  
Hingham, MA 02043

**HINGHAM INSTITUTION FOR SAVINGS**

55 Main Street  
Hingham, Massachusetts 02043  
(617) 749-2200

**NOTICE OF 1996 ANNUAL MEETING  
OF STOCKHOLDERS**

To the Holders of Common Stock  
of Hingham Institution for Savings,

NOTICE IS HEREBY GIVEN that the 1996 Annual Meeting of Stockholders of Hingham Institution for Savings (the "Bank") will be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 25, 1996 at 4:00 p.m. local time (the "Meeting") for the following purposes, all as set forth in the attached Proxy Statement:

1. To elect five Class II Directors of the Bank, each to hold office until the 1999 annual meeting of stockholders of the Bank and until his or her respective successor is duly elected and qualified;
2. To approve the Bank's 1996 Stock Option Plan;
3. To elect a Clerk of the Bank, to hold office until the next annual meeting of stockholders, and until his or her successor is elected and qualified; and
4. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

The Board of Directors has fixed the close of business on March 6, 1996, as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting and any adjournments or postponements thereof.

Your attention is called to the accompanying Proxy Statement.

By Order of the Board of Directors,



Marion J. Fahey  
Clerk

Hingham, Massachusetts  
March 22, 1996

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

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**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 Old Derby Academy, 34 Main Street, Hingham, Massachusetts 02043, on Thursday, April 25, 1996 at 4:00 p.m., local time.

**Purpose of the Annual Meeting**

The purpose of the Meeting is: (1) to elect five Class II Directors of the Bank to serve for a three-year term; (2) to approve the Bank's 1996 Stock Option Plan (the "1996 Plan"); (3) to elect a Clerk of the Bank to serve for a one-year term; and (4) to transact such other business as may properly come before the Meeting and any adjournment or postponement thereof.

**Record Date and Required Stockholder Vote**

The Board of Directors has fixed the close of business on March 6, 1996 as the record date (the "Record Date") for the determination of stockholders entitled to receive notice of, and to vote at, the Meeting or any adjournments or postponements thereof. Only holders of record of the Bank's common stock at the close of business on the Record Date will be entitled to notice of, and to vote at, the Meeting or any adjournments or postponements thereof. At the close of business on the Record Date, there were 1,297,500 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 565 holders of record of the Bank's common stock, which number does not reflect the number of persons or entities who hold shares in nominee or "street" name through various brokerage firms; however, the Bank believes that its common stock is held by in excess of 865 beneficial owners.

The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of common stock of the Bank is necessary to constitute a quorum for the transaction of business at the Meeting. A quorum being present, the Class II Directors and the Clerk will be elected by plurality vote of the shares present and voting, in person or by proxy, and the 1996 Plan will be approved by a vote of two-thirds of the outstanding common stock of the Bank. On February 14, 1996, the Directors, the nominees for Director and principal officers of the Bank owned in the aggregate approximately 38% percent of the issued and outstanding shares of the Bank's common stock which may be voted at the Meeting.

**PROPOSAL ONE  
ELECTION OF DIRECTORS**

The Bank's Amended and Restated Articles of Organization (the "Charter") and By-Laws provide that the Board of Directors shall be divided into three classes, with the Directors in each class serving for a term of

three years. As the term of one class expires, a successor class is elected at each annual meeting of stockholders. Each class of directors currently consists of five or six members so as to make such classes as nearly equal in number as possible, as prescribed by the Bank's Charter and By-Laws.

At the Meeting, stockholders of the Bank are being asked to elect five Class II Directors of the Bank to serve until the 1999 annual meeting of stockholders and until their successors are elected and qualified. The Board of Directors of the Bank has nominated Warren B. Noble, Stacey M. Page, Donald E. Staszko, James R. White and Geoffrey C. Wilkinson, Sr. as Class II 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.**

**PROPOSAL TWO  
APPROVAL OF 1996 STOCK OPTION PLAN**

On February 28, 1996, the Bank's Board of Directors adopted, subject to stockholder approval, the Bank's 1996 Stock Option Plan (the "1996 Plan"). The purpose of the 1996 Plan is to provide an equity incentive to help attract and retain management and directors whose performance will be directed to the enhancement of the Bank's growth and profitability.

At the Meeting, stockholders of the Bank are being asked to approve the 1996 Plan. See "APPROVAL OF THE 1996 STOCK OPTION PLAN (Notice Item 2)."

**The Board of Directors of the Bank recommends that the stockholders vote FOR the approval of the 1996 Plan.**

**PROPOSAL THREE  
ELECTION OF CLERK**

Under Massachusetts law, the Clerk of the Bank is to be elected by the stockholders at an annual meeting or special meeting duly called for that purpose. At the Meeting, the stockholders of the Bank are being asked to elect Marion J. Fahey, the nominee proposed by the Board of Directors, as Clerk of the Bank to serve until the 1997 annual meeting of stockholders, or special meeting in lieu thereof, and until her successor is elected and qualified. See "ELECTION OF CLERK (Notice Item 3)."

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

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

Accompanying this Proxy Statement is a Notice of the 1996 Annual Meeting of Stockholders (the "Meeting") of Hingham Institution for Savings (the "Bank") to be held at the Old Derby Academy, 34 Main Street, Hingham, Massachusetts, 02043, on Thursday, April 25, 1996, at 4:00 p.m. local time. Also enclosed is a form of proxy for the Meeting (and any adjournment or postponement thereof). This Proxy Statement and the enclosed form of proxy are furnished in connection with the solicitation of proxies by the Board of Directors of the Bank and are first being sent to stockholders on or about March 22, 1996. 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 6, 1996. Shares of Common Stock cannot be voted at the Meeting unless the owner of record is present to vote or is represented by proxy.

**VOTING PROCEDURE**

If you sign, date and return the enclosed proxy in time for the Meeting, your shares will be voted (unless you otherwise instruct) on all matters that may properly come before it. The proxy contains spaces in which you may insert instructions as to how your shares are to be voted with regard to electing Directors, to approve the 1996 Plan and electing the Bank's Clerk. If you specify instructions with respect to any of the proposals, your shares will be voted in accordance with your instructions. If no instructions are specified, your shares will be voted FOR the election as Directors of the nominees named herein, FOR the approval of the 1996 Plan, FOR the election as Clerk of the nominee named herein and, with respect to any other matters as properly come before the Meeting, in accordance with the best judgment of the holder(s) of said proxy.

Your proxy may be revoked at any time before it is exercised. Any stockholder attending the Meeting may vote in person even though he/she may have previously submitted 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 6, 1996, 1,297,500 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 6, 1996 will be entitled to vote at the Meeting. The By-Laws of the Bank require that the holders of a majority in interest of all stock issued, outstanding and entitled to vote on matters at the Meeting be present in person or be represented by proxy at the Meeting in order to constitute a quorum for the transaction of business. Each share of Common Stock is entitled to one vote per share. The affirmative vote of the holders of a plurality of the shares present and voting, in person or by proxy, is necessary to elect the Directors and the Clerk, as set forth in Notice Items 1 and 3. The affirmative vote of two-thirds of the outstanding shares of the common stock of the Bank is necessary to approve the 1996 Plan, as set forth in Notice Item 2. Holders of the Common Stock do not have the right to cumulate their votes for the election of Directors or the Clerk. Shares of the Bank's Common Stock represented by executed proxies will be counted for purposes of establishing a quorum at the Meeting, regardless of how or whether such shares are voted on any specific proposal. With respect to the required vote on any particular matter, abstentions will be treated as votes cast or shares present and represented, while votes withheld by nominee recordholders who did not receive specific instructions from the beneficial owners of such shares will not be treated as votes cast or as shares present or represented.

**ELECTION OF DIRECTORS**

**(Notice Item 1)**

The Board of Directors of the Bank currently consists of sixteen members elected by the stockholders of the Bank. Under Massachusetts law, the Board will be authorized to fill vacancies arising between meetings of Stockholders and also to increase the number of Directors to not more than eighteen and to fill the vacancy or vacancies thereby arising. The Bank's By-Laws fix the number of directors that comprises the whole Board of Directors to be not less than seven nor more than twenty-five individuals. The By-Laws also provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible with each such class of Directors being elected every third year at the annual meeting of stockholders held that year. Each Director of the class elected at any particular meeting will hold office until the annual meeting three years subsequent thereto, and until his or her successor is duly elected and qualified, or until his or her earlier resignation, death or removal.

The names of the nominees for Class II Directors and certain information received from them are set forth below. All five 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 following tables list the name of each nominee, his or her age, period of service as a Director of the Bank, positions with the Bank, principal occupation and other directorships held. Each nominee has been engaged in his or her principal occupation for at least five years, unless otherwise indicated.

**Nominees For Election at the Meeting  
with Terms Expiring at the 1999 Annual Meeting  
Class II Directors**

<u>Nominee's Name and Age</u>	<u>Positions With Bank</u>	<u>Director or Trustee of Bank Since</u>	<u>Principal Occupation</u>
Warren B. Noble Age - 65	Director	1988	Chairman of Noble Industries since 1994; Chief Executive Officer, General Manager and Treasurer of Noble's Camera Shops, Inc. and Noble's Microfilm from 1956-1994.
Stacey M. Page Age - 32	Director	1992	President, Hingham Jewelers, Inc.
Donald E. Staszko Age - 47	Director	1993	Airline pilot for American Airlines; President of Cohasset Associates, a real estate development firm, owner of South Shore Chevrolet & Geo, Inc.
James R. White Age - 73	Director	1993	Consultant; former Vice Chairman, Patriot Bank Corporation; former President and CEO, Brookline Trust Company and Commonwealth Bank and Trust Company. (1)
Geoffrey C. Wilkinson, Sr. Age - 44	Director	1993	President and CEO of George T. Wilkinson, Inc., a commercial heating company; Trustee of the Massachusetts Maritime Academy.

**DIRECTORS NOT STANDING FOR ELECTION**

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

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

**Directors Whose Terms Will Expire at  
the 1998 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>
Marion J. Fahey Age - 71	Clerk and Director	1992	Retired; former Superintendent of Boston Public Schools
Robert H. Gaughen, Esq. Age - 81	Director	1992	Counsel to the law firm of Gaughen, Gaughen & Gaughen. Former President and Chairman of the Board of East Weymouth Savings Bank(2)
Kevin W. Gaughen, Esq. Age - 41	Director	1994	Attorney (2)
Julio R. Hernando, Esq. Age - 25	Director	1994	Assistant District Attorney, Norfolk County District Attorney's Office since 1995(2)
Edward L. Sparda Age - 53	Director	1993	Lieutenant, Massachusetts State Police
Donald M. Tardiff, M.D. Age - 71	Director	1993	Retired physician

**Directors Whose Terms Will Expire at the  
1997 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>
James V. Consentino Age - 75	Director	1991	Retired; founder of J.V. Consentino Plastering & Construction Company
Robert H. Gaughen, Jr., Esq. Age - 47	President & Director	1993 1991	President and Chief Executive Officer of the Bank; Attorney; Former President and Chief Executive Officer of East Weymouth Savings Bank (2)
Ronald D. Falcione Age - 46	Director	1993	Owner of Tempo Real Estate, a private real estate firm
Thomas H. Youngworth Age - 58	Director	1991	President and Chief Executive Officer of Bay State Metal Products, Inc., a manufacturer of diversified metal products and Hi-Tech Filter Corp. of America
Robert A. Lane, Esq. Age - 29	Director	1993	Attorney (2)



- (1) Mr. White is the father-in-law of Peter M. Smollett, Vice President and Senior Lending Officer of the Bank.
- (2) Robert H. Gaughen, a Director of the Bank, is the father of Robert H. Gaughen, Jr., President and a Director of the Bank, and Kevin W. Gaughen, a Director of the Bank. Mr. Gaughen is the grandfather of Directors Robert A. Lane and Julio R. Hernando.

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

The Board of Directors, which met thirteen times in 1995, has five principal committees: the Executive Committee, the Audit Committee, the Nominating and Personnel Committee, the Stock Option Committee and the Community Interaction Committee.

The Executive Committee, composed of eight Director members, oversees the management policies and affairs of the Bank. This committee met twenty-four times in 1995. The current members of the Executive Committee are Robert H. Gaughen, Jr., James V. Consentino, Marion J. Fahey, Ronald D. Falcione, Kevin W. Gaughen, Robert H. Gaughen, Warren B. Noble and Thomas H. Youngworth, Sr.

The Nominating and Personnel Committee, composed of seven Director members, oversees matters pertaining to the nomination of Directors and officers and other personnel and compensation matters. This committee met four times in 1995. The current members of the Nominating and Personnel Committee are: James V. Consentino, Marion J. Fahey, Robert H. Gaughen, Jr. (who abstains from any discussion or determination of his own compensation), Kevin W. Gaughen, Julio R. Hernando, Donald M. Tardiff, M.D. and Thomas H. Youngworth, Sr. 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."

The Audit Committee, composed of seven Director members, approves the Bank's annual audit and presents the audit report to the Board of Directors. This committee met four times in 1995. The current members of the Audit Committee are Ronald D. Falcione, Robert A. Lane, Stacey M. Page, Donald E. Staszko, Donald M. Tardiff, M.D., James R. White and Geoffrey C. Wilkinson, Sr.

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 once during 1995. The current members are Robert H. Gaughen, Robert A. Lane, Stacey M. Page, Edward L. Sparda, and James R. White. See "EMPLOYEE BENEFITS PLAN-Stock Option Plan".

The Community Interaction Committee, composed of six Director members, formulates and reviews Bank policies and practices relating to community reinvestment efforts. This committee met four times during 1995 and the current members are Robert H. Gaughen, Jr., Julio R. Hernando, Warren B. Noble, Edward L. Sparda, Donald E. Staszko, and Geoffrey C. Wilkinson, Sr.

In 1995, each of the present Directors of the Bank attended more 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 any such Director served (for such period of the year as he or she served), except for Mr. Staszko, who attended 62% of such meetings.

### **EXECUTIVE COMPENSATION**

The annual and long-term remuneration paid to or accrued for the Chief Executive Officer of the Bank for services rendered during the years ended December 31, 1993, 1994 and 1995 was as follows (no other executive officer of the Bank was paid salary and bonus exceeding \$100,000 for services rendered during the year ended December 31, 1995):

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary (\$)	Bonus (\$)	Other Annual Compensation	Securities Underlying Options (#)	Other Compensation (\$)(1)
Robert H. Gaughen, Jr.	1995	154,154	—	—	16,000	1,284
President and Chief Executive Officer	1994	129,808	10,000	—	—	—
	1993(2)	76,615	—	—	35,000	—

(1) This amount represents taxable income to Mr. Gaughen for his pro rata portion of annual lease payments made by the Bank on a vehicle leased by the Bank, which pro rata portion is based on Mr. Gaughen's personal use of the vehicle. This amount excludes amounts paid by the Bank with respect to group insurance policies.

(2) Mr. Gaughen became an employee of the Bank on April 24, 1993.

### OPTION GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted(#)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/sh)	Expiration Date
Robert H. Gaughen, Jr.	16,000	57.1	12.75	9/26/05

### AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options At Fiscal Year-End(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Robert H. Gaughen, Jr.	None	N/A	51,000	—	\$237,625	—

(1) Represents the difference between the exercise price and the closing sale price of the Bank's common stock on Nasdaq on the final trading day of the fiscal year.

#### Directors' Compensation

Directors of the Bank receive \$350 for each Board of Directors meeting they attend. No such fees were paid to members of the Board of Directors who are also full-time employees of the Bank. The Clerk of the Bank receives a stipend of \$2,000 per annum plus an additional fee of \$75 per meeting attended.

Each member of the Executive Committee of the Board of Directors receives a fee of \$375 per meeting attended. Each member of all other committees of the Board of Directors receives \$200 for each committee meeting attended. The Clerk of these committees receives an additional fee of \$35 per meeting attended. None of these fees applies to any Director who is also an employee of the Bank.

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

Robert H. Gaughen, Jr., the Bank's president, has entered into an employment agreement with the Bank, dated November 20, 1995, which provides that Mr. Gaughen's salary is subject to review and adjustment no less frequently than annually, in an amount reflecting cost-of-living increases as well as any merit increases which the Board of Directors may consider appropriate. Mr. Gaughen is eligible to participate on an equitable basis in all of the Bank's bonus and fringe benefit plans, subject to applicable eligibility requirements, and may not be required to relocate outside the Bank's primary geographic area. Mr. Gaughen's annual salary is currently \$165,000; the Bank expects that Mr. Gaughen's salary will be reviewed by the Board of Directors, along with the salaries of other officers of the Bank at the end of April 1996 and may be increased although the amount of any such increase has not yet been determined.

The contract currently provides for a term beginning on the date of execution and ending in April, 1999. Unless either party gives written notice to the contrary, the term of the agreement shall be extended for successive one-year periods commencing in April 1997, provided that the then remaining term of the contract never exceeds three years. The executive is prohibited from resigning as an employee during the term of the contract except with the Board's consent or in some circumstances following a change in control, as described below. Following any breach of this provision, the Bank is entitled, among other things, to have the executive enjoined from working for another bank or thrift institution in Plymouth or Norfolk County or certain other areas of Massachusetts during the remaining term. The Bank is entitled to terminate the executive at any time with or without cause (which is defined to include deliberate dishonesty, conviction of a crime involving moral turpitude, gross, willful and continuing failure to perform a substantial portion of his duties and responsibilities, and in various circumstances required by applicable banking regulations). Termination without cause requires the payment of severance pay in amounts equal to the executive's salary over the remaining term of the contract, plus continuation of employee benefits during such period. Such payment is not to be reduced by any compensation which the executive may subsequently earn from other sources.

Special rules apply if there is a change in control (as defined in the agreement) of the Bank during the term of the employment agreement. If the executive were to be terminated by the Bank other than for cause in connection with or within one year after such a change in control, he would be entitled to receive a lump sum cash payment (in lieu of his regular severance pay) equal to three times his average annual compensation includable in his gross income for federal income tax purposes with respect to the five most recent taxable years ending prior to such change in control (or such portion thereof as he was a full-time employee of the Bank), less one dollar and less any special bonus paid in connection with the change in control. If the executive were to terminate his employment voluntarily in connection with or within one year after a change in control for good reason, as defined, he would be entitled to receive a similar lump sum cash payment. "Good reason" includes a reduction in compensation, a forced relocation, material increase in the executive's duties, or a material decrease in the executive's position. The executive is not entitled to receive any of the foregoing payments to the extent that such payments would be considered "excess parachute payments" under the Internal Revenue Code of 1986, as amended (the "Code"). In addition, federal legislation authorizes the FDIC under certain circumstances to prohibit or limit payments that are contingent on the termination of a person's employment with an insured depository institution.

## **Compliance with Section 16 of the Securities Exchange Act**

Warren B. Noble, a Director of the Bank, purchased 200 shares of Common Stock of the Bank on October 25, 1995 and filed the corresponding Form F-8, which was due on November 10, 1995 with the FDIC on November 14, 1995.

Donald E. Staszko, a Director of the Bank, purchased 240 shares of Common Stock of the Bank on July 26 and 31, 1995 held by his IRA account and 225 shares were purchased for the IRA account of Barbara L. O'Pray, Mr. Staszko's wife, and filed the corresponding Form F-8, which was due on August 10, 1995, with the FDIC on August 23, 1995.

Robert H. Gaughen, a Director of the Bank, purchased 1,000 shares of Common Stock of the Bank on October 23, 1995 and filed the corresponding Form F-8, which was due on November 10, 1995, with the FDIC on November 14, 1995.

## **EMPLOYEE BENEFIT PLANS**

### **Benefits**

*Pension Plan.* The Bank provides a retirement plan (the "Plan") for all eligible employees ("Participants") 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.

Each employee reaching the age of 21 and having completed at least one year of continuous service and 1,000 hours of service during each twelve-month period beginning with such employee's date of employment becomes a Participant of the Plan. All Participants become fully vested after three (3) years of service or age 62 if earlier.

The 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 retirement benefit provided by the Bank is designed to supplement a participant's Social Security Benefit. The retirement benefit at age 65 is based on the average of the highest three consecutive years of compensation (the "Average Compensation") in the Participant's years of employment with the Bank. Participants who were actively employed on November 1, 1989 and who were Participants in the Plan prior to November 1, 1989, will receive the greater of the benefit earned by them as of October 31, 1989 or the benefit earned by applying the benefit formula described below to all Years of Service with the Bank. The benefit formula adopted by the Bank provides for a benefit at age 65 equal to 1.25% Average Compensation for each Year of Service up to 25 Years of Service plus .6% of the excess of Average Compensation over "covered compensation" for the participant's age for each Year of Service up to 25 years. "Covered compensation" refers to the amount of wages taken into account for Social Security Benefit calculation purposes. 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, 1995, the latest date for which information is available, the market value of the related available assets exceeded the present value of accumulated benefits by approximately \$382,642.

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 upon certain other assumptions regarding social security benefits and compensation trends.

<u>Average Compensation</u> (1)	<u>Annual Pension Benefit (2)</u> <u>Based on Years of Service</u>				
	<u>15 Years</u>	<u>20 Years</u>	<u>25 Years</u>	<u>30 Years</u>	<u>35 Years</u>
\$125,000	\$30,967	\$41,290	\$51,612	\$51,612	\$51,612
150,000	39,262	52,390	65,487	65,487	65,487
175,000	39,262	52,390	65,487	65,487	65,487
200,000	39,262	52,390	65,487	65,487	65,487

(1) Average compensation for purposes of this table is based on the three years immediately preceding retirement.

(2) Benefits computed on the basis of a straight-life annuity and on age 65 retirement in 1995.

(3) Federal law does not permit defined benefit pension plans to recognize compensation (not a defined term) in excess of \$150,000 for Plan years beginning in 1994 (11/1/94 for SBERA).

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>
Robert H. Gaughen, Jr.	21	\$51,373

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

As of December 31, 1995, the Bank had 52 full-time and 14 part-time employees. The Bank considers its employee relationships to be excellent.

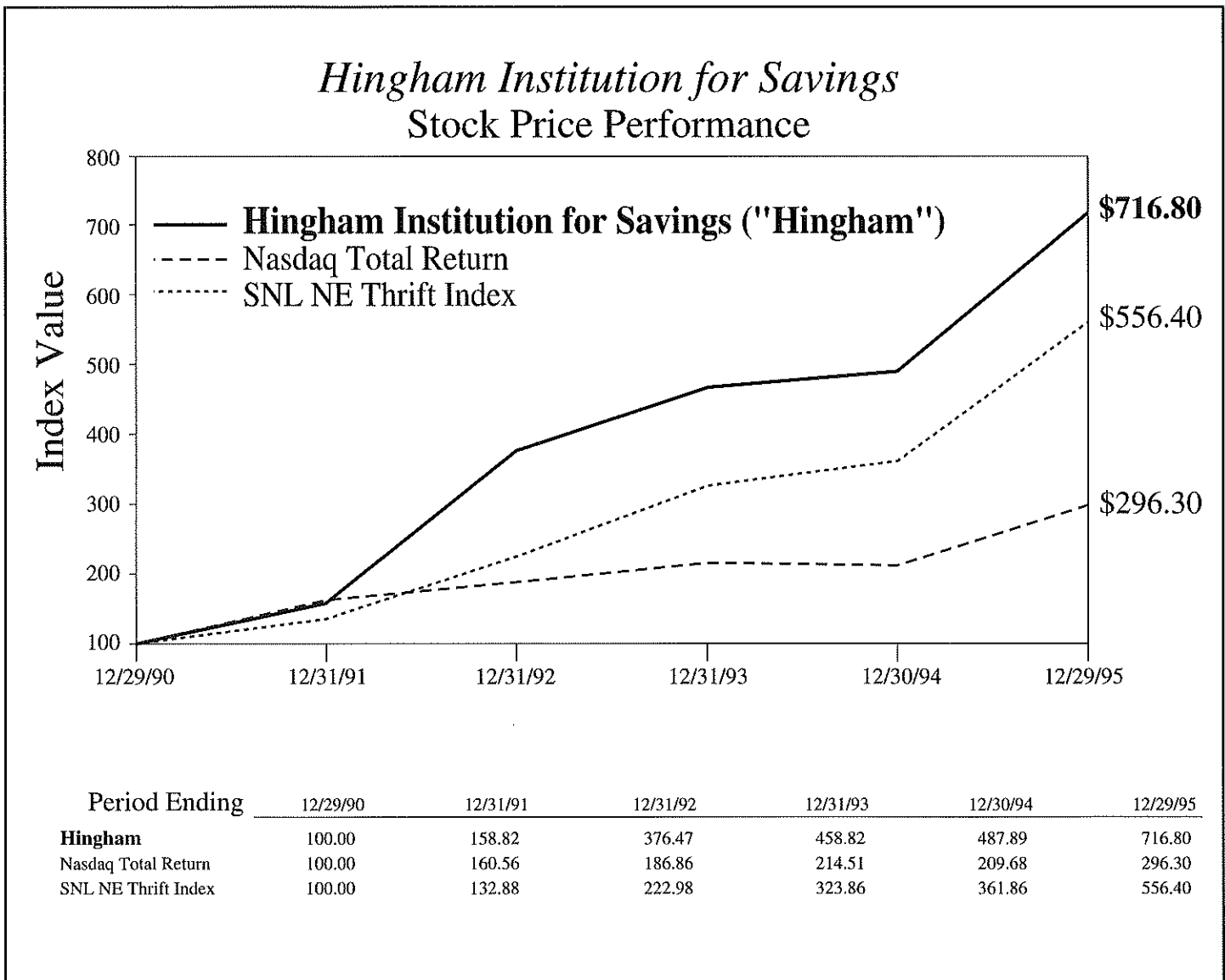
## STOCK PERFORMANCE GRAPH

The chart which appears below sets forth the percentage change, on an annual basis, in the cumulative total return of the Bank's common stock since December 29, 1990 through December 29, 1995 (the last trading day of fiscal 1995). For comparative purposes, changes in the cumulative total return on two indices of publicly traded stocks (the "Indices") are also set forth on the chart.

The Nasdaq Total Return Index reflects the total return of a group of stocks in a cross section of industries. Many of these stocks have substantially larger market capitalizations than the Bank. The second Index, SNL NE Thrift Index, tracks a peer group which consists of all publicly traded thrift institutions located in New England. SNL Securities is a research and publishing firm specializing in the collection and dissemination of data on the banking, thrift, and financial services industries.

The chart begins with an equal base value of \$100 for the Bank's stock and for each of the Indices on December 29, 1990 and reflects year-end closing prices and dividends paid thereafter by the Bank and by the companies which comprise the Indices. The chart assumes full reinvestment of such dividends.

Information about the Indices has been obtained from sources believed to be reliable, but neither the accuracy nor the completeness of such information is guaranteed by the Bank.



## CERTAIN TRANSACTIONS WITH MANAGEMENT AND ASSOCIATES

### Indebtedness of Management and Associates

Prior to May, 1993, the Bank made loans and extended credit to Directors and officers of the Bank, and their associates, subject to the limitations of Massachusetts General Laws, Chapter 168, Section 19, the administrative guidelines issued thereunder and subject to the provisions of Federal Deposit Insurance Corporation regulations. All such loans, as well as all loans to other employees of the Bank, were represented by the Bank's management at the time of the origination of such loans as having been made in the ordinary course of business and on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unaffiliated persons and did not involve more than the normal risk of collectibility or present other unfavorable features to the Bank.

In November, 1993, the Bank adopted a policy providing that the Bank will no longer extend credit (with the exception of passbook loans) to Directors, officers and other employees of the Bank.

### Other Transactions

The Bank may engage in additional transactions with, or use products or services of, Directors, nominees for Director, principal officers, principal shareholders or various organizations in which such persons may have interests or of which such persons may be Directors, nominees for Director, officers, partners or principal stockholders. With respect to the year ended December 31, 1995, unless specifically disclosed herein, any amounts so involved have in no case been material in relation to the business of the Bank, and it is believed that other than as described below, the amount involved in any such transaction or series of transactions did not exceed \$60,000 and was not otherwise material in relation to the business of any such person or other organization.

During 1995, the Bank paid legal fees to Kevin W. Gaughen, Esq. in the amount of approximately \$408,440 in connection with representation of the Bank in connection with commercial and residential mortgage loan originations, foreclosure and collection actions and certain other routine litigation. The foregoing sums have been reasonable in relation to the services provided to the Bank. It is expected that the Bank will continue to have similar transactions with, and use the services of, Kevin W. Gaughen, Esq. in the future. Those fees paid to Kevin W. Gaughen in connection with real estate transactions generally have been reimbursed to the Bank by its borrowers.

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

## PRINCIPAL STOCKHOLDERS; 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, nominees for Director and principal officers as of February 14, 1996. Information presented as to the Common Stock includes the number of shares beneficially owned by such person and the percentage of such number of shares to the total amount of Common Stock outstanding in accordance with Section 335.403 of the FDIC's regulations.

<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership<sup>(1)</sup></u>	<u>Percent of Class<sup>(2)</sup></u>
James V. Consentino	103,300 <sup>(3)</sup>	7.97
Marion J. Fahey	8,900 <sup>(4)</sup>	*
Ronald D. Falcione	18,000 <sup>(5)</sup>	1.39
Kevin W. Gaughen	1,100 <sup>(6)</sup>	*
Robert H. Gaughen	114,425 <sup>(7)</sup>	8.83
Robert H. Gaughen, Jr.	124,372 <sup>(8)</sup>	9.23
Julio R. Hernando	3,100	*
Robert A. Lane	2,025 <sup>(9)</sup>	*
Warren B. Noble	10,227 <sup>(10)</sup>	*
Stacey M. Page	1,700 <sup>(11)</sup>	*
Edward L. Sparda	1,500	*
Donald E. Staszko	10,438 <sup>(12)</sup>	*

Donald M. Tardif	1,000	*
James R. White	1,100 <sup>(13)</sup>	*
Geoffrey C. Wilkinson	3,500 <sup>(14)</sup>	*
Thomas H. Youngworth	129,250 <sup>(15)</sup>	9.97
William M. Donovan, Jr.	10,500 <sup>(16)</sup>	*
Deborah J. Jackson	4,300 <sup>(17)</sup>	*
Peter R. Smollett	6,000 <sup>(18)</sup>	*
Edward P. Zec	1,779 <sup>(19)</sup>	*

Directors, nominees for Director and Principal Officers as a group (21 persons)	556,516	40.81
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- (1) Sole voting and investment power unless otherwise noted.
- (2) An asterisk denotes less than 1%.
- (3) Includes 23,500 shares of Common Stock which Mr. Consentino owns jointly with Ruth M. Consentino, his wife.
- (4) Includes (i) 500 shares of Common Stock held jointly with Jessica M. Keefe, Ms. Fahey's grandniece, (ii) 500 shares held jointly with Janet M. Keefe, Ms. Fahey's grandniece, (iii) 500 shares held jointly with Mary Ellen Keefe Graziano, Ms. Fahey's niece and (iv) 7,400 shares held in Ms. Fahey's IRA account.
- (5) Includes 17,000 shares of Common Stock held directly by Mr. Falcione and 1,000 shares held by Dorothy E. Falcione, his wife.
- (6) Includes 100 shares of Common Stock held directly by Mr. Gaughen's IRA Account and 1,000 shares held by the IRA Account of Mr. Gaughen's wife; excludes 107,500 shares held in trust (see note 7 below) as to which this Director will share voting and dispositive power at such time as he may become a successor trustee under the trusts which own such shares.
- (7) Includes (i) 107,500 shares of Common Stock held by a revocable trust as to which Mr. Gaughen, as the settlor and sole trustee, has sole voting and dispositive power, and (ii) 6,925 shares of Common Stock held directly by Mr. Gaughen.
- (8) Includes (i) 45,600 shares of Common Stock held directly by Mr. Gaughen, Jr., (ii) 11,764 shares that Mr. Gaughen, Jr. owns jointly with his wife, (iii) 16,008 shares held in Mr. Gaughen, Jr.'s IRA account and (iv) 51,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Gaughen, Jr. within 60 days after February 14, 1996; excludes 236,750 shares held in trust (see notes 7 and 15) as to which this Director will share voting and dispositive power at such time as he may become a successor trustee under the trusts which own such shares.
- (9) Includes (i) 1,725 shares of Common Stock held directly by Mr. Lane and (ii) 300 shares of Common Stock held by Mr. Lane's IRA Account.
- (10) Includes (i) 2,200 shares of Common Stock which Mr. Noble owns jointly with Dorothy A. Noble, his wife and (ii) 8,027 shares of Common Stock held directly by Mr. Noble.
- (11) Includes 200 shares of Common Stock which Ms. Page owns jointly with David B. Page, her husband.
- (12) Includes: (i) 4,590 shares of Common Stock held by Mr. Staszko's IRA Account, (ii) 3,629 shares of Common Stock held by the IRA Account of Barbara L. O'Pray, Mr. Staszko's wife, (iii) 1,350 shares held directly by Mr. Staszko and (iv) 869 shares held jointly with Jane V. Staszko, his mother.
- (13) Held in Mr. White's IRA account.
- (14) Comprised of 3,500 shares of Common Stock which Mr. Wilkinson owns jointly with Nancy S. Wilkinson, his wife.
- (15) Comprised of 129,250 shares of Common Stock held by a revocable trust as to which Mr. Youngworth and Jacqueline M. Youngworth, his wife, as the settlor and sole trustees, have sole voting and dispositive power.
- (16) Includes (i) 6,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Donovan on or within 60 days after February 14, 1996, (ii) 1,900 shares of Common Stock held by Mr. Donovan's IRA Account, and (iii) 2,600 shares of Common Stock held of record by Mr. Donovan as custodian for his minor children.
- (17) Includes (i) 4,000 shares of Common Stock issuable pursuant to stock options exercisable within 60 days of February 14, 1996 and (ii) 300 shares of Common Stock held by Ms. Jackson's IRA Account.
- (18) Comprised of 6,000 shares of Common Stock issuable pursuant to stock options which may be exercised by Mr. Smollett on or within 60 days after February 14, 1996.
- (19) Comprised of 1,779 shares of Common Stock which Mr. Zec owns jointly with Jeannette Zec, his wife.

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

The following table sets forth information with respect to the ownership of the Common Stock by persons (including any "group" as that term is used in 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 14, 1996. 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 and Address</u>	<u>Number of Shares and Nature of Ownership(1)</u>	<u>Percent of Class</u>
James V. Consentino 252 Neck Street North Weymouth, MA 02191	103,300	7.97
Robert H. Gaughen 132 Mt. Vernon Road West East Weymouth, MA 02189	114,425	8.83
Robert H. Gaughen, Jr. 351 Forest Avenue Cohasset, MA 02025	124,372	9.23
Thomas H. Youngworth 80 Myrtle Street North Quincy, MA 02171	129,250	9.97

(1) Sole voting and investment power, except as noted in the footnotes to the management stockholder table. See "PRINCIPAL STOCKHOLDERS; SECURITIES OWNERSHIP OF MANAGEMENT."

**APPROVAL OF 1996 STOCK OPTION PLAN  
(Notice Item 2)**

The growth and profitability of the Bank depends in large part on its ability to attract and retain key personnel. The purpose of the proposed 1996 Stock Option Plan (the "1996 Plan") is to provide an equity-based incentive to such key personnel.

**The 1996 Stock Option Plan**

On February 28, 1996, the Bank's Board of Directors adopted, subject to stockholder approval, the 1996 Plan pursuant to which an aggregate number of 60,000 shares of the Bank's common stock would be authorized for issuance upon the exercise of options granted under the 1996 Plan. If an option granted under the 1996 Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such option will be available for subsequent option grants under the 1996 Plan. Not more than 25,000 shares may be covered by options awarded to any individual. The 1996 Option Plan permits the granting of stock options to non-employee directors. The 1996 Plan permits the granting of options intended to qualify for incentive stock option treatment under the Internal Revenue Code ("ISOs") and options which are not intended to qualify ("Non-Statutory Options"). There is no provision in the 1996 Plan for a loan program to provide the exercise price of such options. Optionees generally must pay the exercise price in cash, by check, or, with the consent of the Board of Directors, with shares of the Bank's Common Stock.

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 1996 Plan will be administered by the Board of Directors; however, the Board may delegate its option granting power to the Stock Option Committee or other committee of the Board of Directors if it so desires.



The Board has authority to select the Directors, officers and other employees to whom options may be granted ("Optionee"), whether such options will be ISOs, the number of shares of Common Stock subject to such options and their terms. In addition, under a formula set forth in the 1996 Plan, each member of the Board of Directors serving as such on the effective date of the 1996 Plan (February 28, 1996) who is not a member of the Executive Committee received a one-time grant of a Non-Statutory Option for 1,000 shares of the Common Stock of the Bank at the fair market value of such stock on that date; members of the Board of Directors who were also members of the Executive Committee received options for 3,000 shares. The grant of these options was conditioned upon the approval of the 1996 Plan by the stockholders of the Bank. The options have a term of 10 years and are subject to a one-year holding period prior to exercise. Under the formula set forth in the 1996 Plan, each person elected to the Board of Directors after the effective date will receive a Non-Statutory Option to purchase 1,000 shares of Common Stock, and each director who becomes a member of the Executive Committee and has not previously served on the Executive Committee will receive a Non-Statutory Option to purchase 2,000 shares of Common Stock of the Bank, in each case at an exercise price per share equal to the fair market value of such stock on the date such person becomes a member of the Board of Directors or the Executive Committee, as the case may be.

The Board of Directors of the Bank may grant options under the 1996 Plan up until April 25, 2006. Options granted under the 1996 Plan are not generally transferable and may be exercised during the life of the Optionee only by the Optionee. Any options granted under the 1996 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. The Board of Directors may, at any time, terminate the Plan. In addition, subject to regulatory approval, the Board of Directors may amend the Plan; provided, however, that stockholder approval would be required where changes in amounts, prices, eligibility, terms or benefits are affected, and no termination or amendment may adversely affect the rights of an Optionee without such Optionee's prior consent.

All options granted under the 1996 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. The Board of Directors has the authority, with the consent of the affected optionees, to effect the cancellation of any existing options and the substitution of new options, or the amendment of existing options, in order to provide for an option exercise price per share which is higher or lower than the then-current exercise price per share of such outstanding options. 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.

Subject to the foregoing, any options will be exercisable at such time or times as the Board of Directors determines at the grant of the option. However, the 1996 Plan provides that options may be exercisable in the event of a merger or sale of all or substantially all of the assets of the Bank. Because all outstanding options will be exercisable upon a merger or other similar event, 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. In the event of a merger under the terms of which holders of the Common Stock of the Bank receive a cash payment for shares surrendered in such merger, the Board of Directors may make or provide for a cash payment to the optionees equal to the difference between the price to be paid for each share of Common Stock in the merger and the aggregate exercise price of all outstanding options in exchange for the termination of such options.

As option grants under the 1996 Plan are discretionary, except for options granted to directors pursuant to the formula set forth in the 1996 Plan, the Bank cannot now determine the number of options to be received by any particular current executive officer, by all current executive officers as a group, or by non-executive officer employees as a group. The number of such options will be determined by the Board of Directors, or a committee thereof, pursuant to the terms of the 1996 Plan. If the 1996 Plan is approved, each director of the Bank will receive options to purchase up to the number of shares set forth opposite his or her name below:

**NEW PLAN BENEFITS**

<u>Name and Position</u>	<u>Dollar Value(1)</u>	<u>Number of Options Under 1996 Plan</u>
Robert H. Gaughen, Jr. President, Chief Executive Officer and Director	\$41,250	3,000
All Non-Executive Directors As a Group (15 persons)	398,750	29,000

(1) Options are granted at an exercise price equal to the fair market value per share of the Bank's Common Stock on the date of grant. At February 28, 1996, the closing price of the Bank's Common Stock, as reported on the Nasdaq Stock Market, was \$13.75 per share, so that on that date the shares subject to options held by Mr. Gaughen as shown on the table above had a market value of \$41,250 and the shares subject to options held by all non-executive directors as a group as shown on the table above had a market value of \$398,750. These values are market values of the stock underlying the options, not values of the options themselves.

Federal Income Tax Consequences. The following is a summary of the federal income tax treatment of incentive stock options and non-qualified options issued under the 1996 Plan. For precise advice as to any specific transaction, an option recipient should consult his or her tax advisor, since tax treatment can vary.

Incentive Stock Options. No taxable income will be recognized by an optionee upon the grant or exercise of an incentive stock option granted under the Plan (provided that the difference between the option exercise price and the fair market value of the stock on the date of exercise must be included in the optionee's "alternative minimum taxable income" as described below), and no corresponding expense deduction will be available to the Bank. Generally, if an optionee holds shares acquired upon the exercise of incentive stock options until the later of (i) two years from the grant of the option and (ii) one year from the date of transfer of the purchased shares to him or her (the "Statutory Holding Period"), any gain to the optionee upon a sale of such shares will be treated as capital gain. The gain recognized upon the sale of the stock is the difference between the option price and the sale price of the stock. The net federal income tax effect on the holder of incentive stock options is to defer, until the stock is sold, taxation of any increase in the stock's value from the time of grant to the time of exercise, and to cause all such increase to be treated as capital gain.

If the optionee sells the shares prior to the expiration of the Statutory Holding Period (a "disqualifying disposition") for more than the option price, he or she will recognize a gain. Some or all of the gain will be taxed at ordinary income tax rates, and any remaining gain will be taxed at capital gains rates. He or she will realize taxable income at ordinary income tax rates in an amount equal to the lesser of (i) the fair market value of the shares on the date of exercise less the option price, or (ii) the amount realized on the sale less the option price, and the Bank will receive a corresponding business expense deduction on its tax return. Any additional gain realized as a result of appreciation between the date of exercise and the date of sale will be treated as long-term capital gain if the shares are held for more than one year prior to the sale and as short-term capital gain if the shares are held for a shorter period. If the optionee sells the stock for less than the option price, he or she will recognize a capital loss equal to the difference between the sale price and the option price. The loss will be a long-term capital loss if the shares are held for more than one year prior to the sale and as a short-term capital loss if the shares are held for a shorter period.

Special rules may apply to options held by directors and officers. If the optionee making a disqualifying disposition is a Reporting Person, and the option was exercised within six months of the date of grant, the amount of taxable income realized at ordinary income tax rates (and the amount of the Bank's business expense deduction) will be equal to the lesser of (i) the fair market value of the shares on the date that is six months after the date of grant less the option price, or (ii) the amount realized on sale less the option price.

For purposes of the "alternative minimum tax" applicable to individuals, the exercise of an incentive stock option is treated in the same manner as the exercise of a non-statutory option. Thus, an optionee must, in the year of option exercise, include the difference between the exercise price and the fair market value of the stock on the date of exercise in alternative minimum taxable income. The alternative minimum tax is imposed upon an individual's alternative minimum taxable income currently at rates of 26% to 28%, but only to the extent that such tax exceeds the taxpayer's regular income tax liability for the taxable year.

Non-Statutory Stock Options. No taxable income is recognized by the optionee upon the grant of a non-statutory option. The optionee must recognize as ordinary income in the year in which the option is exercised the amount by which the fair market value of the purchased shares on the date of exercise exceeds the option price (and the Bank is required to withhold an appropriate amount for tax purposes). However, the following special rules apply to Reporting Persons. If a Reporting Person exercises the option within six months of the date of grant, upon exercise of such option no income will be recognized by the optionee until six months have expired from the date the option was granted, and the income then recognized will include any appreciation in the value of the shares during the period between the date of exercise and the date six months after the date of grant, unless the optionee makes an election under Section 83(b) of the Code to have the difference between the exercise price and fair market value at the time of exercise recognized as ordinary income as of the time of exercise.

The Bank will be entitled to a business expense deduction equal to the amount of ordinary income recognized by the optionee. Any additional gain or any loss recognized upon the subsequent disposition of the purchased shares will be a capital gain or loss, and will be a long-term gain or loss if the shares are held for more than one year.

Unless contrary instructions are given, shares represented by proxies solicited by the Board of Directors will be voted FOR the approval of the 1996 Plan. The affirmative vote of two-thirds of the outstanding shares of the common stock of the Bank is required to approve the 1996 Plan.

### **ELECTION OF CLERK (Notice Item 3)**

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

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

Ms. Fahey has served as Clerk since being elected by the Board of Directors filling the vacancy created by the resignation of J. Robert Crowley. Ms. Fahey has served as a Director of the Bank since 1992. Biographical information about Ms. Fahey is set forth under "DIRECTORS NOT STANDING FOR ELECTION."

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

### **INDEPENDENT AUDITORS**

The Board of Directors has selected the firm of Wolf & Company, P.C. ("Wolf"), 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, 1996. Wolf 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 Wolf is expected to be present at the Meeting to respond to appropriate questions and will have the opportunity to make a statement if such representative so desires.

Wolf has served as independent auditors of the Bank since July 21, 1993 and, prior to the fiscal year ending December 31, 1990, Wolf served as independent auditor of the Bank for more than ten years. For the two fiscal years ending December 31, 1991 and 1992, respectively, the Bank selected the firm of KPMG Peat Marwick ("Peat Marwick"), independent certified public accountants, to be the Bank's independent auditors.

The consolidated financial statements of the Bank as of December 31, 1993, 1994 and 1995 and for the years then ended have been audited by Wolf. All such financial statements are included in the Bank's 1995 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 1997 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 January 23, 1997 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. Therefore, proposals submitted prior to the deadline for consideration at the meeting but after the deadline for inclusion in the Proxy Statement will be placed on the agenda at the meeting but will not be included in the Proxy Statement. Any such proposal should be mailed to: Clerk, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

Even if the foregoing requirements are satisfied, a person may only submit a maximum of 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. In addition, the Bank has retained Regan & Associates, Inc. to aid in the solicitation of proxies from individuals, brokers, bank nominees and other institutional holders, for which a base fee of \$4,000 (plus out of pocket expenses) will be paid.

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

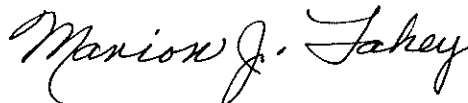
#### **ANNUAL DISCLOSURE STATEMENTS**

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, 1993, December 31, 1994, and December 31, 1995.

#### **STOCKHOLDERS' ANNUAL REPORT; FORM F-2**

The Bank's Annual Report to Stockholders for the fiscal year ended December 31, 1995 accompanies this Proxy Statement. In addition, a copy of the Bank's annual report on Form F-2 for the fiscal year ended December 31, 1995, as filed with the Federal Deposit Insurance Corporation, may be obtained without charge, by any stockholder of the Bank upon written request addressed to Robert H. Gaughen, Jr., President, Hingham Institution for Savings, 55 Main Street, Hingham, MA 02043.

By Order of the Board of Directors,



Marion J. Fahey  
Clerk

Dated: March 22, 1996