

LITCHFIELD FINANCIAL CORP /MA

FORM S-8

(Securities Registration: Employee Benefit Plan)

Filed 09/06/96

Address	430 MAIN STREET WILLIAMSTOWN, MA 01267
Telephone	4134581000
CIK	0000882515
SIC Code	6162 - Mortgage Bankers and Loan Correspondents
Fiscal Year	12/31

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Address	430 MAIN STREET WILLIAMSTOWN, Massachusetts 01267
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Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-8

REGISTRATION STATEMENT

under

THE SECURITIES ACT OF 1933

LITCHFIELD FINANCIAL CORPORATION

(Exact name of issuer as specified in its charter)

Massachusetts 04-3023928

(State of Incorporation) (IRS Employer Identification Number)

789 Main Road, Stamford, Vermont 05352

(Address and Zip Code of Principal Executive Offices)

LITCHFIELD FINANCIAL CORPORATION

1995 Stock Option Plan for Non-Employee Directors

(Full title of the Plan)

Richard A. Stratton, President
Litchfield Financial Corporation
789 Main Road
Stamford, Vermont 05352
(802) 694-1200

(Name, address and telephone number of agent for service)

Copy to:
Mary Ellen O'Mara
Hutchins, Wheeler & Dittmar
A Professional Corporation
101 Federal Street
Boston, Massachusetts 02110

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered (1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee (2)
Common Stock, par value \$.01 per share	22,050 shares	\$12.02	\$ 265,041	
	44,100 shares	\$14.50	\$ 639,450	

TOTAL 66,150 shares \$ 904,491 \$ 311.89

(1) Also registered hereunder are such additional number of shares of common stock, presently indeterminable, as may be necessary to satisfy the antidilution provisions of the Plan to which this Registration Statement relates.

(2) The registration fee has been calculated on the basis of the price at which the options may be exercised and, in the case where such price is not known, the average of the high and low prices of \$15.00 and \$14.00 on the Nasdaq National Market on September 3, 1996.

PART II

INFORMATION REQUIRED IN THE REGISTRATION STATEMENT

Item 3. Incorporation of Documents by Reference

The Company hereby incorporates by reference the documents listed in

(a) through (c) below. In addition, all documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934 (prior to the filing of a Post-Effective Amendment which indicates that all securities offered have been sold or which deregisters all securities then remaining unsold) shall be deemed to be incorporated by reference in this Registration Statement and to be a part thereof from the date of filing of such documents.

(a) The Company's latest annual report filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the Company's latest prospectus filed pursuant to Rule 424(b) under the Securities Act of 1933, which contains, either directly or by

incorporation by reference, audited financial statements for the Company's latest fiscal year for which such statements have been filed.

(b) All of the reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 since the end of the fiscal year covered by the Prospectus referred to in (a) above.

(c) The description of the Company's Common Stock which is contained in the Registration Statement on Form S-1 (Registration No. 33-97414) filed by the Company with the Securities and Exchange Commission on October 18, 1995, including any amendment or report filed for the purpose of updating such description.

Item 4. Description of Securities

Inapplicable

Item 5. Interests of Named Experts and Counsel

The consolidated financial statements of Litchfield Financial Corporation incorporated by reference in Litchfield Financial Corporation's Annual Report (Form 10-K) for the year ended December 31, 1995, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon incorporated by reference therein and incorporated herein by reference. Such financial statements are, and audited financial statements to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements (to the extent covered by consents filed with the Securities and Exchange Commission) given upon the authority of such firm as experts in accounting and auditing.

The validity of the authorization and issuance of the Common Stock offered hereby will be passed upon for the Company by Hutchins, Wheeler & Dittmar, A Professional Corporation, Boston, Massachusetts. Attorneys at Hutchins, Wheeler & Dittmar, A Professional Corporation, own or have the right to acquire an aggregate of 7,248 shares of the Company's Common Stock.

Item 6. Indemnification of Directors and Officers

Section 67 of Chapter 156B of the General Laws of the Commonwealth of Massachusetts provides as follows:

"Section 67. Indemnification of directors, officers, employees and other agents of a corporation, and persons who serve at its request as directors, officers, employees or other agents of another organization, or who serve at its request in any capacity with respect to any employee benefit plan, may be provided by it to whatever extent shall be specified in or authorized by (i) the articles of organization or (ii) a by-law adopted by the stockholders or (iii) a vote adopted by the holders of a majority of the shares of stock entitled to vote on the

election of directors. Except as the articles of organization or by-laws otherwise require, indemnification of any persons referred to in the preceding sentence who are not directors of the corporation may be provided by it to the extent authorized by the directors. Such indemnification may include payment by the corporation of expenses incurred in defending a civil or criminal action or proceeding in advance of the final disposition of such action or proceeding, upon receipt of an undertaking by the person indemnified to repay such payment if he shall be adjudicated to be not entitled to indemnification under this section which undertaking may be accepted without reference to the financial ability of such person to make repayment. Any such indemnification may be provided although the person to be indemnified is no longer an officer, director, employee or agent of the corporation or of such other organization or no longer serves with respect to any such employee benefit plan.

No indemnification shall be provided for any person with respect to any matter as to which he shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his action was in the best interest of the corporation or to the extent that such matter relates to service with respect to an employee benefit plan, in the best interests of the participants or beneficiaries of such employee benefit plan.

The absence of any express provision for indemnification shall not limit any right of indemnification existing independently of this section.

A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or other agent of another organization or with respect to any employee benefit plan, against any liability incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability."

Article 7 of the Amended and Restated By-Laws of the Company provides as follows:

"Section 7.1 Definitions

For purposes of this Article 7:

(a) "Director/officer" means any person who is serving or has served as a Director, officer, employee or other agent of the Corporation appointed or elected by the Board of Directors or the stockholders of the Corporation, or who is serving or has served at the request of the Corporation as a Director, officer, trustee, principal, partner, employee or other agent of any other organization.

(b) "Proceeding" means any action, suit or proceeding, civil or criminal, brought or threatened in or before any court, tribunal, administrative or legislative body or agency.

(c) "Expense" means any fine or penalty, and any liability fixed by a judgment, order, decree or award in a Proceeding and any professional fees and other disbursements reasonably incurred in connection with a Proceeding.

Section 7.2 Right to Indemnification

Except as limited by law or as provided in Sections 7.3 and 7.4 of this Article 7, each Director/officer (and his heirs and personal representatives) shall be indemnified by the Corporation against any Expenses incurred by him in connection with each Proceeding in which he is involved as a result of his serving or having served as a Director/officer.

Section 7.3 Indemnification not Available

No indemnification shall be provided to a Director/officer with respect to a Proceeding as to which it shall have been adjudicated that he did not act in good faith in the reasonable belief that his action was in the best interests of the Corporation.

Section 7.4 Compromise or Settlement

In the event that a Proceeding is compromised or settled so as to impose any liability or obligation on a Director/officer or upon the Corporation, no indemnification shall be provided as to said Director/officer with respect to such Proceeding if such Director/officer shall have been adjudicated not to have acted in good faith in the reasonable belief that his action was in the best interests of the Corporation.

Section 7.5 Advances

The Corporation shall pay sums on account of indemnification in advance of a final disposition of a Proceeding upon receipt of an undertaking by the Director/officer to repay such sums if it is subsequently established that he is not entitled to indemnification pursuant to Sections 7.3 and 7.4 hereof, which undertaking may be accepted without reference to the financial ability of such person to make repayment.

Section 7.6 Not Exclusive

Nothing in this Article 7 shall limit any lawful rights to indemnification existing independently of this Article 7.

Section 7.7 Insurance

The provisions of this Article 7 shall not limit the power of the Board of Directors to authorize the purchase and maintenance of insurance on behalf of any Director/officer against any Expense, whether or not the Corporation would have the power to indemnify him against such Expense under this Article 7."

Item 7. Exemption from Registration Claimed

Inapplicable

Item 8. Exhibits

Number	Description
4.1	Litchfield Financial Corporation 1995 Stock Option Plan for Non-Employee Directors
5.1	Opinion of Hutchins, Wheeler & Dittmar, A Professional Corporation.
23.1	Consent of Independent Public Accountants
23.2	Consent of Hutchins, Wheeler & Dittmar, A Professional Corporation (included in Exhibit 5.1).
Item 9.	Undertakings

The undersigned Registrant hereby undertakes the following:

(a) The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are

being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change in the information set forth in the registration statement.

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in

periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned registrant hereby undertakes, that, insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-8 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Stamford, Vermont on September 4, 1996.

LITCHFIELD FINANCIAL CORPORATION

By: *s/ Richard A. Stratton*
Richard A. Stratton
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

	<i>Title</i>	<i>Date</i>
<i>s/ Richard A. Stratton</i> <i>Richard A. Stratton</i>	<i>President, Chief</i> <i>Executive Officer,</i> <i>and Director</i>	<i>September 3, 1996</i>
<i>s/ Heather A. Sica</i> <i>Heather A. Sica</i>	<i>Executive Vice President,</i> <i>Clerk, Treasurer,</i> <i>and Director</i>	<i>September 3, 1996</i>
<i>s/ Ronald E. Rabidou</i> <i>Ronald E. Rabidou</i>	<i>Chief Financial</i> <i>Officer</i>	<i>September 3, 1996</i>
<i>s/ Donald R. Dion, Jr.</i> <i>Donald R. Dion, Jr.</i>	<i>Director</i>	<i>September 3, 1996</i>
<i>s/ David J. Ferrari</i> <i>David J. Ferrari</i>	<i>Director</i>	<i>September 3, 1996</i>
<i>s/ Gerald Segel</i> <i>Gerald Segel</i>	<i>Director</i>	<i>September 3, 1996</i>
<i>s/ John A. Costa</i> <i>John A. Costa</i>	<i>Director</i>	<i>September 3, 1996</i>
<i>s/ James Westra</i> <i>James Westra</i>	<i>Director</i>	<i>September 3, 1996</i>

EXHIBIT 4.1
LITCHFIELD FINANCIAL CORPORATION
1995 STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. **PURPOSE** The purpose of this Litchfield Financial Corporation 1995 Stock Option Plan for Non-Employee Directors (the "Plan") is to attract and retain the services of experienced and knowledgeable independent directors who are not employees (sometimes referred to herein collectively as "Participants") of Litchfield Financial Corporation ("Litchfield") for the benefit of Litchfield and its stockholders and to provide additional incentive for such Participants to continue to work in the best interests of Litchfield and its stockholders through continuing ownership of its Common Stock.
2. **SHARES SUBJECT TO THE PLAN** The total number of shares of Common Stock, par value \$0.01 per share ("Shares"), of Litchfield for which options may be granted under the Plan shall not exceed 66,150 in the aggregate, subject to adjustment in accordance with Section 9 hereof.
3. **ELIGIBILITY; GRANT OF OPTION** Each of David J. Ferrari and Gerald Segel, who are two current directors of Litchfield and who are not otherwise employees of Litchfield or any subsidiary, and, upon their election to the Board of Directors of Litchfield (the "Board"), all new non-employee directors duly elected in the five-year period commencing on the date of the adoption of the Plan, shall be granted an option to acquire 5,512.5 Shares under the Plan. The date of grant for such options

granted to the two current non-employee directors named above shall be the date of adoption of the Plan by the Board, but such options shall become effective as of such date of grant only upon stockholder approval of this Plan in accordance with Section 13 hereof. The options shall be non-qualified options not intended to meet the requirements of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The date of grant for each subsequently elected director shall be the date of election.

4. **OPTION AGREEMENT** Each option granted under the Plan shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of Litchfield and by the director to whom such option is granted, which Agreements shall (i) comply with and be subject to the terms and conditions of the Plan and (ii) provide that the optionee agrees to continue to serve as a director of Litchfield during the term for which he was elected.

5. **OPTION EXERCISE PRICE** Subject to the provisions of Section 9 hereof, the option exercise price for an option granted under the Plan shall be the fair market value of the Shares of the Common Stock of Litchfield covered by the option on the date of grant of the option. For the purposes hereof and Section 6(c), the fair market value of the Common Stock of Litchfield shall be the mean between the high and low sales prices of the Common Stock of Litchfield on the Nasdaq Stock Market (National Market) as reported on the date of grant in the Wall Street Journal for the immediately preceding business day, provided that if the Common Stock of Litchfield is not listed on or actually trading on the Nasdaq Stock Market (National Market), fair market value shall be determined in good faith by the Board, provided, further that for options granted on

the date of adoption of the Plan the fair market value shall be the mean between the high and low sales prices of the Common Stock of Litchfield on the Nasdaq Stock Market (National Market) as reported on the date of adoption in the Wall Street Journal for the immediately preceding business day.

6. TIME AND MANNER OF EXERCISE OF OPTION

(a) Options granted under the Plan shall, subject to the provisions of Section 7, be exercisable as provided in this Section 6(a). The options shall not be exercisable prior to the first year anniversary date of the date of grant. Thereafter, the options shall be exercisable as follows:

	Percentage of Shares Becoming Available for Exercise	Cumulative Percentage Available
On or After First Year Anniversary Date and Before Second Anniversary Date	33 1/3%	33 1/3%
	Percentage of Shares Becoming Available for Exercise	Cumulative Percentage Available
On or After Second Anniversary Date and Before Third Anniversary Date	33 1/3%	66 2/3%
On or After Third Anniversary Date	33 1/3%	100%

(b) To the extent that the right to exercise an option has accrued and is in effect, the option may be exercised in full at one time or in part from time to time by giving written

notice, signed by the person or persons exercising the option, to Litchfield, stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in cash or in whole or in part in Shares of the common stock of Litchfield already owned for a period of at least six months by the person or persons exercising the option, valued at fair market value, as determined under Section 5 hereof, on the date of exercise; provided, however, that there shall be no such exercise at any one time as to fewer than two hundred fifty (250) Shares or all of the remaining Shares then purchasable by the person or persons exercising the option, if fewer than two hundred fifty (250) Shares. Upon such exercise, delivery of a certificate for paid-up non-assessable Shares shall be made at the principal Vermont office of Litchfield to the person or persons exercising the option at such time, during ordinary business hours, not more than thirty (30) days from the date of receipt of the notice by Litchfield, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by Litchfield and the person or persons exercising the option.

7. TERM OF OPTIONS

- (a) Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided.
- (b) In the event of the death of an optionee, the option granted to such optionee may be exercised, to the extent the optionee was entitled to do so on the date of such optionee's death, by the estate of such optionee or by any person or persons who acquired the right to exercise such option by bequest or inheritance or otherwise by reason of the death of such optionee. Such option may be exercised at any time within one (1) year after the date of death

of such optionee, at which time the option shall terminate, or prior to the date on which the option otherwise expires by its terms, whichever is earlier.

(c) In the event that an optionee ceases to be a director of Litchfield, the option granted to such optionee may be exercised by him, but only to the extent that under Section 6 hereof the right to exercise the option has accrued and is in effect. Such option may be exercised at any time within one (1) month after the date such optionee ceases to be a director of Litchfield, at which time the option shall terminate, but in any event prior to the date on which the option expires by its terms, whichever is earlier, unless termination as a director (a) was by Litchfield for cause, in which case the option shall terminate immediately at the time the optionee ceases to be a director of Litchfield, (b) was because the optionee has become disabled (within the meaning of Section 22(e)(3) of the Code), or (c) was by reason of the death of the optionee. In the case of death, see Section 7(b) of the Plan. In the case of disability, the option may be exercised, to the extent then exercisable under Section 6 hereof, at any time within one (1) year after the date of termination of the optionee's directorship with Litchfield, at which time the option shall terminate, but in any event prior to the date on which the option otherwise expires by its terms, whichever is earlier.

8. OPTIONS NOT TRANSFERABLE The right of any optionee to exercise an option granted to him under the Plan shall not be assignable or transferable by such optionee otherwise than by will or the laws of descent and distribution, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder. Any option granted under the Plan shall be exercisable during the lifetime of such optionee only by him.

Any option granted under the Plan shall be null and void and without effect upon the bankruptcy of the optionee, or upon any attempted assignment or transfer, except as herein provided, including without limitation any purported assignment, whether voluntary or by operation of law, pledge, hypothecation or other disposition, attachment, trustee process or similar process, whether legal or equitable, upon such option.

9. **ADJUSTMENTS UPON CHANGES IN CAPITALIZATION** In the event that the outstanding Shares of the common stock of Litchfield are changed into or exchanged for a different number or kind of shares or other securities of Litchfield or of another corporation by reason of any reorganization, merger, consolidation, recapitalization, reclassification, stock split-up, combination of shares or dividends payable in capital stock, appropriate adjustment shall be made in the number and kind of shares as to which outstanding options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the optionee shall be maintained as before the occurrence of such event, and such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of such options and with a corresponding adjustment in the option price per share.

10. **RESTRICTIONS ON ISSUE OF SHARES** Notwithstanding the provisions of Section 6 hereof, Litchfield may delay the issuance of Shares covered by the exercise of any option and the delivery of a certificate for such Shares until one of the following conditions shall be satisfied:

(i) the Shares with respect to which an option has been exercised are at the time of the issue of such Shares effectively registered under applicable Federal and state securities acts now in force or hereafter amended; or

(ii) counsel for Litchfield shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such Shares are exempt from registration under applicable Federal and state securities acts now in force or hereafter amended. It is intended that all exercises of options shall be effective. Accordingly, Litchfield shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that Litchfield shall be under no obligation to cause a registration statement or a post-effective amendment to any registration statement to be prepared at its expense solely for the purpose of covering the issue of Shares in respect of which any option may be exercised, except as otherwise agreed to by Litchfield in writing.

11. RIGHTS OF HOLDER ON PURCHASE FOR INVESTMENT; SUBSEQUENT REGISTRATION

Unless the Shares to be issued upon exercise of an option granted under the Plan have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended, Litchfield shall be under no obligation to issue any Shares covered by any option unless the person who exercises such option, in whole or in part, shall give a written representation and undertaking to Litchfield which is satisfactory in form and scope to counsel to Litchfield and upon which, in the opinion of such counsel, Litchfield may reasonably rely, that he is acquiring the Shares issued to him pursuant to such exercise of the option for his own account as an investment and not with a view to, or for sale in connection with, the

distribution of any such Shares, and that he will make no transfer of the same except in compliance with any rules and regulations in force at the time of such transfer under the Securities Act of 1933, or any other applicable law, and that if Shares are issued without such registration a legend to this effect may be endorsed upon the securities so issued. In the event that Litchfield shall, nevertheless, deem it necessary or desirable to register under the Securities Act of 1933 or other applicable statutes any Shares with respect to which an option shall have been exercised, or to qualify any such Shares for exemption from the Securities Act of 1933 or other applicable statutes, then Litchfield shall take such action at its own expense and may require from each optionee such information in writing for use in any registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to Litchfield and its officers and directors from such holder against all losses, claims, damages and liabilities arising from such use of the information so furnished and caused by any untrue statement of any material fact therein or caused by the omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made.

12. **LOANS PROHIBITED** Litchfield shall not, directly or indirectly, lend money to an optionee or to any person or persons entitled to exercise an option by reason of the death of an optionee for the purpose of assisting him or them in the acquisition of Shares covered by an option granted under the Plan.

13. **APPROVAL OF STOCKHOLDERS**

The Plan shall be subject to approval by the vote of stockholders holding at least a majority of the voting stock of Litchfield voting in person or by proxy at a duly held stockholders' meeting, or by written consent of all of the stockholders, and shall take effect immediately as of its date of adoption upon such approval.

14. **EXPENSES OF THE PLAN** All costs and expenses of the adoption and administration of the Plan shall be borne by Litchfield, and none of such expenses shall be charged to any optionee.

15. **TERMINATION AND AMENDMENT OF PLAN** Unless sooner terminated as herein provided, the Plan shall terminate ten (10) years from the date upon which the Plan was duly approved by the stockholders. The Board may at any time terminate the Plan or make such modification or amendment thereof as it deems advisable, provided however that, except as provided in Section 9 hereof, no modification or amendment to the provisions of the Plan may be made more than once every six (6) months other than to comport with changes in the Code, the Employee Retirement Income Security Act, or the rules thereunder, if the effect of such amendment or modification would be to change (i) the requirements for eligibility under the Plan, (ii) the timing of the grants of options to be granted under the Plan or the exercise price or vesting schedule thereof, or (iii) the number of Shares subject to options to be granted under the Plan either in the aggregate or to one director. Any amendment to the provisions of the Plan which (i) materially increases the number of Shares which may be subject to options granted under the Plan, (ii) materially increases the benefits accruing to Participants under the Plan, or (iii) materially modifies the

requirement for eligibility to participate in the Plan, shall be subject to approval by the stockholders of Litchfield obtained in the manner stated in

Section 13 hereof. Termination or any modification or amendment of the Plan shall not, without the consent of an optionee, affect his rights under an option previously granted to him.

16. **LIMITATION OF RIGHTS IN THE OPTION SHARES** An optionee shall not be deemed for any purpose to be a stockholder of Litchfield with respect to any of the options except to the extent that the option shall have been exercised with respect thereto and, in addition, a certificate shall have been issued theretofore and delivered to the optionee.

17. **NOTICES** Any communication or notice required or permitted to be given under the Plan shall be in writing, and mailed by registered or certified mail or delivered by hand, if to Litchfield, to its principal place of business, attention: President, and, if to an optionee, to the address as appearing on the records of Litchfield.

18. **COMPLIANCE WITH RULE 16b-3.** It is the intention of Litchfield that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934 (the "Act") and that Participants remain disinterested persons for purposes of administering other employee benefit plans of Litchfield and having transactions under such other plans be exempt from Section 16(b) of the Act. Therefore, if any Plan provision is found not to be in compliance with Rule 16b-3 or if any Plan provisions would disqualify Participants from remaining disinterested persons, that provisions shall be deemed null and void, and in all events the Plan shall shall be

construed in favor of its meeting the requirements of Rule 16b-3.

APPROVED BY THE STOCKHOLDERS:

EXHIBIT 5.1

September 6, 1996

Litchfield Financial Corporation
789 Main Road
Stamford, Vermont 05352

Ladies and Gentlemen:

We are counsel to Litchfield Financial Corporation, a Massachusetts corporation (the "Company"), and as such counsel we are familiar with the corporate proceedings taken in connection with the adoption of the Company's 1995 Stock Option Plan for Non-Employee Directors (the "Plan"). We also are familiar with the Registration Statement on Form S-8 to which a copy of this opinion will be attached as an Exhibit.

As such counsel, we have examined the corporate records of the Company, including its Restated Articles of Organization, Amended and Restated By-Laws, minutes of meetings of its Board of Directors and stockholders and such other documents as we have deemed necessary as a basis of the opinions herein expressed.

Based upon the foregoing, and having regard for such legal considerations as we deem relevant, we are of the opinion that:

1. The issuance of up to 66,150 shares of Common Stock upon exercise of the options granted under the Plan has been duly authorized.

2. The shares of Common Stock issuable pursuant to the Plan, when issued in accordance with the terms thereof, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement on Form S-8 and to the reference to us under the caption "Interests of Named Experts and Counsel" in the Registration Statement.

Very truly yours,

/s/Hutchins, Wheeler & Dittmar

*HUTCHINS, WHEELER & DITTMAR
A Professional Corporation*

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the reference to our firm under the caption "Interests of Named Experts and Counsel" in the Registration Statement (Form S-8 No. 33-00000) pertaining to the 1995 Stock Option Plan for Non-Employee Directors of Litchfield Financial Corporation and to the incorporation by reference therein of our report dated February 3, 1996, with respect to the consolidated financial statements of Litchfield Financial Corporation incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 1995, filed with the Securities and Exchange Commission.

/s/Ernst & Young LLP
ERNST & YOUNG LLP

Boston, Massachusetts

September 6, 1996

End of Filing

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