

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
Telephone	413-458-1000
CIK	0000882515
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

1990 Stock Option Plan
(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 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	8,682.00	\$ 5.76	\$ 50,008.32	
\$.01 per share	75,539.25	6.19	467,587.96	
	868.00	9.21	7,994.28	
	15,050.00	9.50	142,975.00	
	26,461.00	9.98	264,080.78	
	5,513.00	10.20	56,232.60	
	5,513.00	10.66	58,768.58	
	209,475.00	11.11	2,327,267.25	
	155,624.00	11.23	1,747,657.52	
	109,755.00	11.55	1,267,670.25	
	27,563.00	11.56	318,628.28	
	1,103.00	11.67	12,872.01	
	500.00	13.13	6,565.00	
	210.00	13.33	2,799.30	
	105.00	13.69	1,437.45	
	105.00	13.81	1,450.05	
	92,611.00	14.05	1,301,184.55	
	213,997.75	14.50	3,102,967.38	
TOTAL	948,675.00		11,138,146.56	\$ 3,840.74

(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.

NOTE

This Registration Statement is being filed solely for the purpose of registering 948,675 additional shares of Common Stock of Litchfield Financial Corporation issuable pursuant to the 1990 Stock Purchase Plan (the "Plan") originally adopted in 1990. The total number of shares issuable under the Plan is 1,122,319, of which 173,644 shares were previously registered on Form S-8 (Reg. No. 33-49276). Pursuant to instruction E to Form S-8, the contents of the Registration Statement on Form S-8 (Registration No. 33-49276) are herein incorporated by reference.

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 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 8.	Exhibits.
Number	Description
4.1	Litchfield Financial Corporation 1990 Stock Option Plan, as amended.
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).

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
1990 STOCK OPTION PLAN
(As amended 2/18/92, 2/2/92, 3/1/94, 2/15/95 and 5/3/96)

1. Purpose of the Plan. This stock option plan (the "Plan") is intended to encourage ownership of the stock of Litchfield Financial Corporation (the "Company") by employees of the Company and its subsidiaries, to induce qualified personnel to enter and remain in the employ of the Company or its subsidiaries and otherwise to provide additional incentive for optionees to promote the success of its business.

2. Stock Subject to the Plan.

(a) The total number of shares of the authorized but unissued or Treasury shares of the common stock, \$.01 par value, of the Company ("Common Stock") for which options may be granted under the Plan shall not exceed one million one hundred twenty two thousand three hundred nineteen (1,122,319) shares, subject to adjustment as provided in Section 12 hereof.

(b) If an option granted or assumed hereunder shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject thereto shall again be available for subsequent option grants under the Plan.

(c) Stock issuable upon exercise of an option granted under the Plan may be subject to such restrictions on transfer, repurchase rights or other restrictions as shall be determined by the Board of Directors.

3. Administration of the Plan.

(a) The Plan shall be administered by the Board of Directors of the Company. No member of the Board of Directors shall act upon any matter exclusively affecting any option

granted or to be granted to himself or herself under the Plan. A majority of the members of the Board of Directors shall constitute a quorum, and any action may be taken by a majority of those present and voting at any meeting. The decision of the Board of Directors as to all questions of interpretation and application of the Plan shall be final, binding and conclusive on all persons. The Board of Directors may, in its sole discretion, grant options to purchase shares of the Company's Common Stock and issue shares upon exercise of such options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe the respective option agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the respective option agreements, which may but need not be identical, and to make all other determinations in the judgment of the Board necessary or desirable for the administration of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any option agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and shall be the sole and final judge of such expediency. No director shall be liable for any action or determination made in good faith. The Board of Directors may, in its discretion, delegate its power, duties and responsibilities to a committee, consisting of two or more members of the Board of Directors, all of whom are "disinterested persons" (as hereinafter defined). If a committee is so appointed, all references to the Board of Directors herein shall mean and relate to such committee, unless the context otherwise requires.

(b) With respect to the participation of any director in the Plan, his or her selection as an optionee and the number of option shares to be allocated to such director shall be

determined by, or only in accordance with, the recommendations of a committee of two or more persons having full authority to act in the matter, of which all members of such committee shall be disinterested persons. For the purposes of the Plan, a director or member of such committee shall be deemed to be "disinterested" only if such person qualifies as a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Securities and Exchange Act of 1934, as such term is interpreted from time to time. The provisions of this Section 3(b) shall not apply with respect to any option granted prior to the date of the first registration of an equity security of the Company under

Section 12 of the Securities and Exchange Act of 1934.

4. Type of Options. Options granted pursuant to the Plan shall be authorized by action of the Board of Directors of the Company (or a committee designated by the Board of Directors) and may be designated as either incentive stock options meeting the requirements of Section 422A of the Internal Revenue Code of 1986 (the "Code") or non-qualified options which are not intended to meet the requirements of such Section 422A of the Code, the designation to be in the sole discretion of the Board of Directors. Options designated as incentive stock options that fail to continue to meet the requirements of Section 422A of the Code shall be redesignated as non-qualified options automatically without further action by the Board of Directors on the date of such failure to continue to meet the requirements of Section 422A of the Code.

5. Eligibility. Options designated as incentive stock options may be granted only to officers and key employees of the Company or of any subsidiary corporation (herein called "subsidiary" or

"subsidiaries"), as defined in Section 425 of the Code and the Treasury Regulations promulgated thereunder (the "Regulations"). Options designated as non-qualified options may be granted to officers, key employees, consultants and non-employee directors of the Company or of any of its subsidiaries.

Directors who are not otherwise employees of the Company or a subsidiary shall not be eligible to be granted an incentive stock option pursuant to the Plan.

In determining the eligibility of an individual to be granted an option, as well as in determining the number of shares to be optioned to any individual, the Board of Directors shall take into account the position and responsibilities of the individual being considered, the nature and value to the Company or its subsidiaries of his or her service and accomplishments, his or her present and potential contribution to the success of the Company or its subsidiaries, and such other factors as the Board of Directors may deem relevant.

No option designated as an incentive stock option shall be granted to any employee of the Company or any subsidiary if such employee owns, immediately prior to the grant of an option, stock representing more than 10% of the voting power or more than 10% of the value of all classes of stock of the Company or a parent or a subsidiary, unless the purchase price for the stock under such option shall be at least 110% of its fair market value at the time such option is granted and the option, by its terms, shall not be exercisable more than five years from the date it is granted. In determining the stock ownership under this paragraph, the provisions of Section 425(d) of the Code shall be controlling. In determining the fair market value under this paragraph, the provisions of

Section 7 hereof shall apply.

6. Option Agreement. Each option shall be evidenced by an option agreement (the "Agreement") duly executed on behalf of the Company and by the optionee to whom such option is granted, which Agreement shall comply with and be subject to the terms and conditions of the Plan. The Agreement may contain such other terms, provisions and conditions which are not inconsistent with the Plan as may be determined by the Board of Directors, provided that options designated as incentive stock options shall meet all of the conditions for incentive stock options as defined in Section 422A of the Code. No option shall be granted within the meaning of the Plan and no purported grant of any option shall be effective until the Agreement shall have been duly executed on behalf of the Company and the optionee. More than one option may be granted to an individual.

7. Option Price. The option price or prices of shares of the Company's Common Stock for options designated as non-qualified stock options shall be as determined by the Board of Directors. The option price or prices of shares of the Company's Common Stock for incentive stock options shall be the fair market value of such Common Stock at the time the option is granted as determined by the Board of Directors in accordance with the Regulations promulgated under Section 422A of the Code. If such shares are then listed on any national securities exchange, the fair market value shall be the mean between the high and low sales prices, if any, on the largest such exchange on the date of the grant of the option or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury

Regulations Section 25.2512-2. If the shares are not then listed on any such exchange, the fair market value of such shares shall be the mean between the closing "Bid" and the closing "Ask" prices, if any, as reported in the National Association of Securities Dealers Automated Quotation System ("NASDAQ") for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the shares are not then either listed on any such exchange or quoted in NASDAQ, the fair market value shall be the mean between the average of the "Bid" and the average of the "Ask" prices, if any, as reported in the National Daily Quotation Service for the date of the grant of the option, or, if none, shall be determined by taking a weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the date of grant in accordance with Treasury Regulations Section 25.2512-2. If the fair market value cannot be determined under the preceding three sentences, it shall be determined in good faith by the Board of Directors.

8. Manner of Payment; Manner of Exercise.

(a) Options granted under the Plan may provide for the payment of the exercise price by delivery of (i) cash or a check payable to the order of the Company in an amount equal to the exercise price of such options, (ii) shares of Common Stock of the Company owned by the optionee having a fair market value equal in amount to the exercise price of the options being exercised, or (iii) any combination of (i) and (ii), provided, however, that payment of the exercise price by delivery of shares of Common Stock of the Company owned by such optionee may be made only if such payment does not result in a charge to earnings for

financial accounting purposes as determined by the Board of Directors. The fair market value of any shares of the Company's Common Stock which may be delivered upon exercise of an option shall be determined by the Board of Directors in accordance with Section 7 hereof.

(b) To the extent that the right to purchase shares under an option has accrued and is in effect, options 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 the Company, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full for such shares as provided in subparagraph (a) above. Upon such exercise, delivery of a certificate for paid-up non-assessable shares shall be made at the principal office of the Company 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 the Company, as shall be designated in such notice, or at such time, place and manner as may be agreed upon by the Company and the person or persons exercising the option.

9. Exercise of Options. Each option granted under the Plan shall, subject to Section 10(b) and Section 12 hereof, be exercisable at such time or times and during such period as shall be set forth in the Agreement; provided, however, that no option granted under the Plan shall have a term in excess of ten (10) years from the date of grant. To the extent that an option to purchase shares is not exercised by an optionee when it becomes initially exercisable, it shall not expire but shall be carried forward and shall be exercisable, on a cumulative basis, until the expiration of the exercise period. No partial exercise may be made for less than fifty (50) full shares of Common Stock.

10. Term of Options; Exercisability.

(a) Term.

(1) Each option shall expire not more than ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as herein provided, except that the Board of Directors may elect to extend the term of any non-qualified option without regard to the termination provisions set forth in Sections 10(a)(2) - (5) of the Plan.

(2) Except as otherwise provided in this Section 10, an option granted to any employee optionee who ceases to be an employee of the Company or one of its subsidiaries shall terminate on the last day of the third month after the date such optionee ceases to be an employee of the Company or one of its subsidiaries, or on the date on which the option expires by its terms, whichever occurs first.

(3) If such termination of employment is because of dismissal for cause or because the employee is in breach of any employment agreement, such option will terminate on the date the optionee ceases to be an employee of the Company or one of its subsidiaries.

(4) If such termination of employment is because the optionee has become permanently disabled (within the meaning of Section 105(b)(4) of the Code), such option shall terminate on the last day of the twelfth month from the date such optionee ceases to be an employee, or on the date on which the option expires by its terms, whichever occurs first.

(5) In the event of the death of any optionee, any option granted to such optionee shall terminate on the last day of the twelfth month from the date of death, or on the date on which the option expires by its terms, whichever occurs first.

(b) Exercisability. An option granted to an employee optionee who ceases to be an employee of the Company or one of its subsidiaries shall be exercisable only to the extent that the right to purchase shares under such option has accrued and is in effect on the date such optionee ceases to be an employee of the Company or one of its subsidiaries.

11. Options Not Transferrable. The right of any optionee to exercise any option granted to him or her shall not be assignable or transferrable by such optionee otherwise than by will or the laws of descent and distribution, and any such option 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 to whom the option is granted, 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.

12. Recapitalizations, Reorganizations and the Like. In the event that the outstanding shares of the Common Stock of the Company are changed into or exchanged for a different number or kind of shares or other securities of the Company 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 options may be granted under the Plan and 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; 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. In addition, unless otherwise determined by the Board of Directors in its sole discretion, in the case of any (i) sale or conveyance to another entity of all or substantially all of the property and assets of the Company or (ii) Change in Control (as hereinafter defined) of the Company, the purchaser(s) of the Company's assets or stock may, in his, her or its discretion, deliver to the optionee the same kind of consideration that is delivered to the shareholders of the Company as a result of such sale, conveyance or Change in Control, or the Board of Directors may cancel all outstanding options in exchange for consideration in cash or in kind which consideration in both cases shall be equal in value to the value of those shares of stock or other securities the optionee would have received had the option been exercised (to the extent then exercisable) and no disposition of the shares acquired upon such exercise been made prior to such sale, conveyance or Change in Control, less the option price therefor. Upon receipt of such consideration by the optionee, his or her option shall immediately terminate and be of no further force and effect. The value of the stock or other securities the optionee would have received if the option had been exercised shall be determined in good faith by the Board of Directors of the Company, and in the case of shares of the Common Stock of the Company, in accordance with the provisions of Section 7 hereof. The Board of Directors shall also have the power and right to accelerate the exercisability of any options, notwithstanding any limitations in this Plan or in the Agreement upon such a sale, conveyance

or Change in Control. Upon such acceleration, any options or portion thereof originally designated as incentive stock options that no longer qualify as incentive stock options under Section 422A of the Code as a result of such acceleration shall be redesignated as non-qualified stock options. A "Change in Control" shall be deemed to have occurred if any person, or any two or more persons acting as a group, and all affiliates of such person or persons, who prior to such time owned less than five percent (5%) of the then outstanding Common Stock of the Company, shall acquire such additional shares of the Company's Common Stock in one or more transactions, or series of transactions, such that following such transaction or transactions, such person or group and affiliates beneficially own fifty percent (50%) or more of the Company's Common Stock outstanding.

Upon dissolution or liquidation of the Company, all options granted under this Plan shall terminate, but each optionee (if at such time in the employ of or otherwise associated with the Company or any of its subsidiaries) shall have the right, immediately prior to such dissolution or liquidation, to exercise his or her option to the extent then exercisable.

If by reason of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation, the Board of Directors shall authorize the issuance or assumption of a stock option or stock options in a transaction to which Section 425(a) of the Code applies, then, notwithstanding any other provision of the Plan, the Board of Directors may grant an option or options upon such terms and conditions as it may deem appropriate for the purpose of assumption of the old option, or substitution of a new option for the old option, in conformity with the provisions of such

Section 425(a) of the Code and the Regulations

thereunder, and any such option shall not reduce the number of shares otherwise available for issuance under the Plan.

No fraction of a share shall be purchasable or deliverable upon the exercise of any option, but in the event any adjustment hereunder of the number of shares covered by the option shall cause such number to include a fraction of a share, such fraction shall be adjusted to the nearest smaller whole number of shares.

13. No Special Employment Rights. Nothing contained in the Plan or in any option granted under the Plan shall confer upon any option holder any right with respect to the continuation of his or her employment by the Company (or any subsidiary) or interfere in any way with the right of the Company (or any subsidiary), subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the option holder from the rate in existence at the time of the grant of an option. Whether an authorized leave of absence, or absence in military or government service, shall constitute termination of employment shall be determined by the Board of Directors at the time.

14. Withholding. The Company's obligation to deliver shares upon the exercise of any non-qualified option granted under the Plan shall be subject to the option holder's satisfaction of all applicable Federal, state and local income and employment tax withholding requirements. The Company and employee may agree to withhold shares of Common Stock purchased upon exercise of an option to satisfy the above-mentioned withholding requirements.

15. Restrictions on Issue of Shares.

(a) Notwithstanding the provisions of Section 8, the Company may delay the issuance of shares covered by the exercise of an 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 such option has been exercised are at the time of the issue of such shares effectively registered or qualified under applicable Federal and state securities acts now in force or as hereafter amended; or

(ii) Counsel for the Company shall have given an opinion, which opinion shall not be unreasonably conditioned or withheld, that such shares are exempt from registration and qualification under applicable Federal and state securities acts now in force or as hereafter amended.

(b) It is intended that all exercises of options shall be effective, and the Company shall use its best efforts to bring about compliance with the above conditions within a reasonable time, except that the Company shall be under no obligation to qualify shares or to cause a registration statement or a post-effective amendment to any registration statement to be prepared for the purpose of covering the issue of shares in respect of which any option may be exercised, except as otherwise agreed to by the Company in writing.

16. Purchase for Investment; Rights of Holder on 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, the Company 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 the Company which is satisfactory in form and scope to counsel for the Company and upon which, in the opinion of such counsel, the Company may reasonably rely, that he or she is acquiring the shares issued pursuant to such exercise of the option for his or her 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 or she 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 the Company 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 the Company may take such action and may require from each optionee such information in writing for use in any registration statement, supplementary registration statement, prospectus, preliminary prospectus or offering circular as is reasonably necessary for such purpose and may require reasonable indemnity to the Company 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 the light of the circumstances under which they were made.

17. Loans. The Company may make loans to optionees to permit them to exercise options. If loans are made, the requirements of all applicable Federal and state laws and regulations regarding such loans must be met.

18. Modification of Outstanding Options. The Board of Directors may authorize the amendment of any outstanding option with the consent of the optionee when and subject to such conditions as are deemed to be in the best interests of the Company and in accordance with the purposes of the Plan.

19. 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 the Company voting in person or by proxy at a duly held stockholders' meeting, or by written consent of all of the stockholders, within twelve (12) months after the adoption of the Plan by the Board of Directors and shall take effect as of the date of adoption by the Board upon such approval. The Board of Directors may grant options under the Plan prior to such approval, but any such option shall become effective as of the date of grant only upon such approval and, accordingly, no such option may be exercisable prior to such approval.

20. 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 adopted by the Board of Directors of the Company. The Board of Directors 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 20, the Board of Directors may not, without the approval of the stockholders of the Company obtained in the manner stated in Section 19, increase the maximum number of shares for which options may be granted or change the designation of the class of persons eligible to receive options under the Plan. Termination or any modification or amendment of the Plan shall not, without the consent of an optionee, affect his or her rights under an option theretofore granted to him or her.

21. **Reservation of Stock.** The Company shall at all times during the term of the Plan reserve and keep available such number of shares of stock as will be sufficient to satisfy the requirements of the Plan and shall pay all fees and expenses necessarily incurred by the Company in connection therewith.

22. **Limitation of Rights in the Option Shares.** An optionee shall not be deemed for any purpose to be a stockholder of the Company 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.

23. **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 the Company, to its principal place of business, attention: Richard A. Stratton, President, and, if to an optionee, to the address as appearing on the records of the Company.

24. Right of First Refusal.

(a) No shareholder of the Company shall sell, mortgage, encumber or dispose of all or any shares of Common Stock issued upon exercise of an option granted hereunder, except in compliance with the terms of this Section 24. Notwithstanding the foregoing, any such shareholder (a) may transfer all or any of such shares by way of gift to his spouse or to any of his lineal descendants or (b) may transfer all or any of such shares by will or the laws of descent and distribution; provided that any such transferee under this clause shall agree in writing with the Company to be bound by all of the provisions of the Plan and any Agreement to the same extent as if such transferee were the shareholder transferring such shares.

(b) If at any time a shareholder (the "Selling Shareholder") desires to sell all or any part of the shares of Common Stock issued upon exercise of an option granted hereunder pursuant to a bona fide offer from a third party (the "Proposed Transferee"), the Selling Shareholder shall submit a written offer (the "Offer") by delivering the Offer to the Company to sell such shares (the "Offered Shares") to the Company on terms and conditions, including price, not less favorable than those on which the Selling Shareholder proposes to sell such Offered Shares to the Proposed Transferee. The Offer shall disclose the identity of the Proposed Transferee, the number of Offered Shares proposed to be sold, the total number of shares owned by the Selling Shareholder, the terms and other material facts relating to the proposed sale. The Offer shall further state (i) that the Company may acquire, in accordance with the provisions of this Section, all of the Offered Shares for the price and upon the other terms and conditions, including deferred payment (if applicable), set forth therein and (ii) that

the Company may not purchase any of such Offered Shares unless the Company purchases all of such Offered Shares.

(c) If the Company desires to purchase all of such Offered Shares, it shall communicate in writing its election to purchase to the Selling Shareholder, within 30 days of the date the Offer was made. Such communication shall, when taken in conjunction with the Offer, be deemed to constitute a valid, legally binding and enforceable agreement for the sale and purchase of such Offered Shares. Sales of such Offered Shares to be sold to the Company pursuant to this Section shall be made at the offices of the Company within 90 days following the date the Offer was made.

(d) If the Company does not offer to purchase or purchase all of the Offered Shares, the Offered Shares may be sold by the Selling Shareholder at any time within 120 days after the date the Offer was made. Any such sale shall be to the Proposed Transferee, at not less than the price and upon other terms and conditions, if any, not more favorable to the Proposed Transferee than those specified in the Offer. Any Offered Shares not sold within such 120-day period shall continue to be subject to the requirements of a prior offer pursuant to this Section. If Offered Shares are sold pursuant to this Section to any purchaser, the Offered Shares so sold shall no longer be subject to any of the restrictions imposed by the provisions of this Section.

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 1990 Stock Option Plan (as amended, 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 1,122,319 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

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 1990 Stock Option Plan 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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