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# The Simsbury Bank

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 13, 2003

To the Shareholders of  
The Simsbury Bank & Trust Company, Inc.:

The Annual Meeting of Shareholders of The Simsbury Bank & Trust Company, Inc. (the "Bank") will be held at the Bank's main office, 981 Hopmeadow Street, Simsbury, Connecticut on May 13, 2003, at 5:00 p.m., local time, for the purpose of considering and voting upon the following matters:

1. To elect four (4) directors to the Board of Directors to serve for three-year terms;
2. To ratify the appointment of Shatswell, MacLeod & Co., P.C., certified public accountants, as independent auditors for the fiscal year ending December 31, 2003; and
3. To transact such other business as may properly be brought before the meeting or any adjournment or postponement thereof.

Only Shareholders of record at the close of business on March 21, 2003 are entitled to notice of, and to vote at, the Annual Meeting and any and all adjournments thereof.

By Order of the Board of Directors

Robert J. Bogino, Secretary

April 11, 2003

**IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THE MEETING. WE URGE YOU TO SIGN, DATE AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. SHAREHOLDERS OF RECORD WHO ATTEND THE MEETING MAY REVOKE THEIR PROXY AND VOTE IN PERSON.**

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**THE SIMSBURY BANK & TRUST COMPANY, INC.**

981 Hopmeadow Street  
P.O. Box 248  
Simsbury, CT 06070-0248  
(860) 658-2265

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**PROXY STATEMENT**  
**ANNUAL MEETING OF SHAREHOLDERS**  
**MAY 13, 2003**  
**5:00 p.m.**

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This Proxy Statement is furnished to Shareholders of The Simsbury Bank & Trust Company, Inc. (the "Bank") in connection with the solicitation of proxies by the Board of Directors (the "Board") for use at the Annual Meeting of Shareholders of the Bank to be held at the Bank's main office, 981 Hopmeadow Street, Simsbury, Connecticut, at 5:00 p.m. on May 13, 2003, and any and all adjournments or postponements thereof (the "2003 Annual Meeting"). This Proxy Statement, the Notice of Annual Meeting, the enclosed form of Proxy and the 2002 Annual Report to Shareholders are first being mailed to Shareholders on or about April 11, 2003.

A Shareholder voting by proxy may revoke it at any time before it is voted by delivery of a written notice of such revocation or a duly executed proxy bearing a later date to the Secretary of the Bank at the address set forth below or by attending the 2003 Annual Meeting and revoking the proxy at such time. Attendance at the 2003 Annual Meeting will not itself revoke a proxy. Shares represented by properly executed proxies will be voted at the 2003 Annual Meeting in accordance with the specifications thereon. Shareholders of record who are present at the 2003 Annual Meeting may vote by ballot.

Each proxy received will be voted as directed. However, if no direction is indicated, the proxy will be voted: in Item 1 **FOR** the election to the Board of the four (4) persons recommended by the Board named in the proxy; in Item 2 **FOR** the ratification of Shatswell, MacLeod & Co., P.C. as independent auditors; and on such other matters as may properly come before the 2003 Annual Meeting in such manner as the person(s) named as the proxy(ies) shall decide.

The expense of soliciting proxies in favor of the Bank's proposals will be borne by the Bank. In addition to solicitation of proxies by mail, proxies may also be solicited by telephone or personal contact by employees and/or directors of the Bank who will not receive additional compensation therefor.

Only Shareholders of record at the close of business on March 21, 2003 (the "Record Date") are entitled to notice and to vote at the 2003 Annual Meeting. On the Record Date, there were 797,769 shares of common stock (the "Common Stock") outstanding and entitled to vote. Each share of Common Stock is entitled to one vote. The presence, in person or by proxy, of a majority of the issued and outstanding shares of Common Stock on the Record Date is necessary to constitute a quorum at the 2003 Annual Meeting. Abstentions and broker non-votes are counted as present for establishing a quorum. A broker non-vote occurs when a broker votes on some matters on the proxy card but not on others because it does not have the authority to do so.

The principal executive offices of the Bank are located at 981 Hopmeadow Street, P.O. Box 248, Simsbury, Connecticut 06070-0248 (telephone number (860) 658-2265).

### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of the Common Stock of the Bank as of February 14, 2003 by (i) each director and nominee for director of the Bank, (ii) the executive officers named in the Summary Compensation Table, and (iii) all directors and executive officers as a group. Except as indicated by footnote, the persons named in the table have sole voting and investment powers with respect to all shares shown as beneficially owned by them. The Bank has no knowledge of any person who owns of record or beneficially more than five percent of the Bank's Common Stock.

<u>Name of Beneficial Owner</u>	<u>Addresses</u>	<u>Amount and Nature Of Beneficial Ownership</u>	<u>Percent Of Class</u>
Anthony F. Bisceglia	418 Olde-Stage Road Glastonbury, CT 06033	10,500 (1)	1.3%
Robert J. Bogino	22 Daventry Hill Road Avon, CT 06001	27,572 (2)	3.5%
Modesto F. Brunoli	37 Byron Drive Avon, CT 06001	3,502 (3)	*
James T. Fleming	7 Simscroft Road Simsbury, CT 06070	891 (4)	*
Charles D. Forgie	41 Heritage Drive Avon, CT 06001	13,633 (5)	1.7%
Edward J. Guarco	22 R East Street Granby, CT 06035	2,800 (6)	*
Gary R. Kevorkian	8 Apple Lane Simsbury, CT 06070	15,691 (7)	2.0%
Barry R. Loucks	57 Summit Drive Windsor, CT 06095	35,287 (8)	4.4%
Owen P. Murphy	14 Old Mill Court Simsbury, CT 06070	25,128 (9)	3.1%
George B. Odlum, Jr., DMD	1 Westledge Road W. Simsbury, CT 06092	13,109 (10)	1.6%
David W. Sessions	105 Turnbull Road Winsted, CT 06098	15,736 (11)	2.0%
Jane F. von Holzhausen	29 Chimney Corner Circle Guilford, CT 06437	13,389 (12)	1.7%
Penny R. Woodford	687 West Avon Road Avon, CT 06001	2,262 (13)	*
Evan W. Woollacott	128 Terry's Plain Road Simsbury, CT 06070	11,765 (14)	1.5%
Lincoln S. Young	60 Pine Hill Road New Hartford, CT 06057	15,612 (15)	2.0%
All directors and executive officers as a group		206,877 (16)	25.9%

\* less than 1%

- (1) Includes 10,500 shares issuable upon exercise of stock options owned by Mr. Bisceglia; these options are all exercisable within 60 days.
- (2) Includes 2,800 shares held in Mr. Bogino's IRA, 6,600 shares owned jointly with his spouse, 822 shares held in a trust of which Mr. Bogino serves as trustee, 2,084 shares in trusts for two of his children for which Mr. Bogino serves as the trustee and 11,500 shares owned by his spouse. Also includes 1,000 shares issuable upon exercise of stock options owned by Mr. Bogino; these options are all exercisable within 60 days. Mr. Bogino disclaims beneficial ownership of the shares beneficially owned by his spouse.
- (3) Includes 1,251 shares owned by Mr. Brunoli's spouse's estate, of which he is the executor. Also includes 1,000 shares issuable upon exercise of stock options owned by Mr. Brunoli; these options are all exercisable within 60 days.
- (4) Includes 266 shares issuable upon exercise of stock options owned by Mr. Fleming; these options are all exercisable within 60 days.
- (5) Includes 3,101 shares held in Mr. Forgie's IRA and 10,500 shares issuable upon exercise of stock options owned by Mr. Forgie; these options are all exercisable within 60 days.
- (6) Includes 1,200 shares owned jointly with Mr. Guarco's spouse and 600 shares held by both Mr. and Mrs. Guarco as custodians for their daughter. Also includes 1,000 shares issuable upon exercise of stock options owned by Mr. Guarco; these options are all exercisable within 60 days.
- (7) Includes 9,711 shares held in trusts for which Mr. Kevorkian is trustee. Also includes 1,000 shares in stock issuable upon exercise of stock options owned by Mr. Kevorkian; these options are all exercisable within 60 days.
- (8) Includes 14,287 shares held with Mr. Loucks's spouse as tenants in common. Also includes 21,000 shares in stock issuable upon exercise of options owned by Mr. Loucks; these options are all exercisable within 60 days.
- (9) Includes 5,000 shares held in Mr. Murphy's IRA.
- (10) Includes 1,700 shares held in Dr. Odlum's IRA and 3,550 shares owned by his spouse. Dr. Odlum disclaims beneficial ownership of the shares beneficially owned by his spouse.
- (11) Includes 1,564 shares owned jointly with Mr. Sessions' spouse, 1,358 shares owned by a private corporation owned by Mr. Sessions and his siblings and 1,252 shares owned by two of his children. Also includes 1,000 shares issuable upon exercise of stock options owned by Mr. Sessions; these options are all exercisable within 60 days. Mr. Sessions disclaims beneficial ownership of the shares beneficially owned by his children.
- (12) Includes 4,200 shares held in Ms. von Holzhausen's IRA. Also includes 1,000 shares issuable upon exercise of stock options owned by Ms. von Holzhausen; these options are all exercisable within 60 days.
- (13) Includes 602 shares held in Ms. Woodford's IRA and 660 shares owned jointly with her spouse.

- (14) Includes 500 shares in a trust of which Mr. Woollacott's spouse is the beneficiary.
- (15) Includes 9,300 shares held in Mr. Young's IRA and 506 shares owned by his spouse. Also includes 1,000 shares issuable upon exercise of stock options owned by Mr. Young; these options are all exercisable within 60 days. Mr. Young disclaims beneficial ownership of the shares beneficially owned by his spouse.
- (16) Includes 49,266 shares issuable upon exercise of stock options owned by directors and executive officers or their associates that are exercisable within 60 days; these options are all exercisable within 60 days.

**ITEM 1**  
**ELECTION OF DIRECTORS**

The Bank's Certificate of Incorporation provides that the Board shall be divided into three classes, as nearly equal in number as possible, with each class having a three-year term. There are currently 13 directors of the Bank, with five directors in Class I, four in Class II and four in Class III. The terms of the classes are staggered so that the term of a class expires at each annual meeting of the Bank. The terms of the five Class I directors are scheduled to expire at the 2003 Annual Meeting. The Board has nominated James T. Fleming, Edward J. Guarco, Barry R. Loucks and Penny R. Woodford for election to serve as directors of the Board until the 2006 Annual Meeting of Shareholders of the Bank. Modesto F. Brunoli, currently serving as a Class I director, is unable to be nominated for re-election because he has reached the Bank's mandatory age limit regarding directorship elections. Each of the nominees currently serves as a director of the Bank and is nominated to serve for his or her term and until his or her successor is elected and qualified. In the event that any of the nominees become unable to serve, an event which the Board does not expect, the shares represented by proxy may be voted for a substitute nominee to be designated by the Board or a committee thereof, unless the proxy withholds authority to vote for all nominees.

If a quorum is present at the 2003 Annual Meeting, the election of directors will require the affirmative vote of a plurality of the votes cast. Abstentions by shareholders and broker non-votes with respect to the election of directors will not be included in determining whether nominees have received the vote of such plurality.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF ALL NOMINEES TO THE BOARD.**

Background information with respect to the nominees and the other directors and named executive officers, including principal occupation, business experience, age and years of service as a director, appears below.

Name	Age	Position and Principal Occupation For the Past Five Years	Committee Membership	Director of SBT since
James T. Fleming	47	Commissioner, Consumer Protection Agency, State of Connecticut; Former Director of Community Relations, Asea Brown Boveri, Inc., until 1998; Former Connecticut State Senator, until 1999	Audit & Compliance and Marketing & Public Relations	1992
Edward J. Guarco	49	Vice President, State Line Oil	Audit & Compliance and Personnel	1998
Barry R. Loucks	60	President and CEO, The Simsbury Bank & Trust Company, Inc.	Loan, Executive, Marketing & Public Relations	1994
Penny R. Woodford	58	Real Estate Agent, Coldwell Banker Residential Brokerage	Audit & Compliance and Marketing & Public Relations	1992

**Incumbent Directors—Class II, Terms Expiring in 2004**

Name	Age	Position and Principal Occupation For the Past Five Years	Committee Membership	Director of SBT since
Gary R. Kevorkian	49	Attorney-at-Law	Loan and Personnel	1994
George B. Odlum, Jr. DMD	63	Family dentistry	Audit & Compliance and Executive	1992
Jane F. von Holzhausen	58	Sales Manager, Prudential Connecticut Realty, Avon, Connecticut office; Former President, Valley Properties, Inc. d/b/a Coldwell Banker Valley Properties, until 1998	Executive and Marketing & Public Relations	1994
Evan W. Woollacott	73	Vice Chairman, The Simsbury Bank & Trust Company; Independent consultant, Former Vice Chairman and Commissioner of the State of Connecticut Department of Public Utility Control, until 1995	Audit & Compliance, Executive and Marketing & Public Relations	1992

**Incumbent Directors—Class III, Terms Expiring in 2005**

Name	Age	Position and Principal Occupation For the Past Five Years	Committee Membership	Director of SBT since
Robert J. Bogino	60	Secretary, The Simsbury Bank & Trust Company; President and co-owner, Bogino & DeMaria, Inc.	Executive and Loan	1994
Owen P. Murphy	71	Former Chairman, The Simsbury Bank & Trust Company; Former Vice President and Director of Manufacturing, Ensign Bickford Company, until 1986	Loan and Personnel	1992
David W. Sessions	52	President and Treasurer, Casle Corporation	Executive, Loan and Personnel	1992
Lincoln S. Young	68	Chairman, The Simsbury Bank & Trust Company; Former Chief Executive Officer, Turbine Engine Services Corp., until 1995	Executive, Loan, Marketing & Public Relations, Personnel	1994

**Non-Director Executive Officers**

Name	Age	Position and Principal Occupation For the Past Five Years	Committee Membership	Employee of SBT since
Anthony F. Bisceglia, Ph.D.	55	Senior Vice President, Chief Financial Officer and Treasurer, The Simsbury Bank & Trust Company	N/A	1995
Charles D. Forgie	60	Executive Vice President, Chief Lending Officer, The Simsbury Bank & Trust Company	N/A	1995

**Board Committees and Meetings**

The standing committees of the Board are the Audit and Compliance, Executive, Loan, Marketing and Public Relations, and Personnel.

The members of the Audit and Compliance Committee are Messrs. Odum (Chair), Brunoli, Fleming, Guarco, Ms. Woodford and Mr. Woollacott. The Audit and Compliance Committee has oversight responsibility for and reviews all financial and other reports provided by both the Bank's internal and external auditors. The Audit and Compliance Committee also selects the independent auditors and presents its selection for ratification by the shareholders. The Audit and Compliance Committee, in its meetings with the independent accountants, discusses and approves the audit and compliance scope and reviews all audit findings. The Audit and Compliance Committee met four times during 2002.

The members of the Executive Committee are Messrs. Woollacott (Chair), Bogino, Loucks, Odum, Sessions, Young and Ms. von Holzhausen. The Executive Committee reviews and recommends candidates to the Board for election as directors, oversees the Bank's investments, asset/liability



management, budget and capital planning and reviews the Bank's interest rate sensitivity and deposit and loan pricing. The Executive Committee will consider nominees for election to the Board recommended by the Bank's shareholders. The Executive Committee also is responsible for overseeing the Bank's information technology planning, security and development. The Executive Committee met 12 times during 2002.

The members of the Loan Committee are Messrs. Bogino (Chair), Kevorkian, Loucks, Murphy, Sessions and Young. The Loan Committee reviews and approves all commercial loans made by the Bank over \$100,000 (as well as other loans in certain circumstances), and oversees foreclosed and real estate loan work-out properties and insures compliance with the Community Reinvestment Act. The Loan Committee met 23 times during 2002.

The members of the Marketing and Public Relations Committee are Ms. von Holzhausen (Chair), Messrs. Fleming, Loucks, Woollacott, Young and Ms. Woodford. The Marketing and Public Relations Committee establishes an advertising and contributions budget, approves the annual marketing plan and monitors its results. The Marketing and Public Relations Committee met twice in 2002.

The members of the Personnel Committee are Messrs. Sessions (Chair), Brunoli, Guarco, Kevorkian, Murphy and Young. The Personnel Committee reviews, relative to the Bank's peers, employee benefits and other compensation matters relating to Bank personnel, including executive officers', plus personnel-related policies. The Committee reviews performance of, authorizes compensation for and approves the employment contract of the chief executive officer. The Committee also recommends director compensation levels. The Personnel Committee met three times during 2002.

The Board held 13 meetings during 2002. Each director attended at least 75% of the aggregate number of meetings of the Board plus meetings held by all committees of the Board on which such director served.

#### **Certain Relationships and Related Transactions**

During 2002 and 2001, certain of the Bank's current directors, executive officers and their affiliates had outstanding loans from the Bank. The largest aggregate amount of such loans outstanding during the period from January 1, 2001 to February 14, 2003 was on February 25, 2002 for \$2,481,372 representing 24.37% of the Bank's equity on that date, and approximately 2.22% of the Bank's outstanding loans as of that date. All such loans were made in the ordinary course of the Bank's business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features.

During 2002 and 2001 the Bank paid \$59,684.16 and \$58,115.22, respectively, to Granby Pharmacy Shoppers Plaza, LLC, a company in which Director Kevorkian has a 15% interest, for rent and related expenses of the Bank's Granby branch office. Of these amounts paid, \$8,858.83 and \$8,215.26 were for real estate taxes on the property during 2002 and 2001, respectively. The Bank believes this to represent a fair market value lease.

### Director Compensation

The Bank has adopted a Director Compensation Plan for non-employee directors. The compensation effective January 1, 2002 was \$350 per Board meeting and \$150 per standing committee meeting attended in person and was adjusted effective January 1, 2003 to \$350 per Board meeting and \$150 per standing committee meeting plus an annual retainer of \$2,000 per director.

### EXECUTIVE COMPENSATION

#### Summary Compensation

The following table sets forth certain information regarding the compensation paid by the Bank to the Bank's named executive officers for services rendered during fiscal years 2000 through 2002. No other executive officer's total salary and bonus for fiscal 2002 exceeded \$100,000.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Salary	Bonus	All Other	Long-Term
		Compensation		Compensation	Compensation
Barry R. Loucks President & Chief Executive Officer	2002	\$164,596	\$34,682 (2)	\$28,672 (3)	0
	2001	\$149,712	\$4,885	-	0
	2000	\$139,904	\$3,620	-	0
Charles D. Forgie Executive Vice President & Chief Lending Officer	2002	\$100,190	\$16,850 (2)	-	0
	2001	N/A (1)	-	-	0
	2000	N/A (1)	-	-	0
Anthony F. Bisceglia Senior Vice President & Chief Financial Officer	2002	\$94,485	\$16,037 (2)	-	0
	2001	N/A (1)	-	-	0
	2000	N/A (1)	-	-	0

- (1) Annual Salary Compensation plus Bonuses did not exceed \$100,000.
- (2) Bonus totals estimated to be paid; payments made in January and April 2003 for 2002 performance.
- (3) Represents employer contributions to a 401k plan of \$4,938; the present value of life insurance policies underlying a Supplemental Executive Retirement Plan of \$22,222 and personal use of a Bank-leased automobile of \$1,512.
- (4) No options or other long-term compensation have been awarded in the last three completed fiscal years.

#### Employment Agreements

In September 1997, the Bank entered into an employment agreement (the "Employment Agreement") and a Supplemental Executive Retirement Agreement (the "Retirement Agreement") with Mr. Loucks. Mr. Bisceglia and Mr. Forgie do not have employment agreements with the Bank; their salaries are determined by the Chief Executive Officer and both have Change of Control agreements with the Bank.

The Employment Agreement with Mr. Loucks provided for an initial annual salary of \$105,000 with annual salary reviews thereafter to bring Mr. Loucks' salary into conformance with the salaries of bank officers holding positions similar to his in banks of a size and standing similar to the Bank. The Employment Agreement also entitles Mr. Loucks to participate in retirement and benefit plans available to other executive officers and employees of the Bank. The Employment Agreement provides Mr. Loucks with the use of a car and country club membership for business purposes. The Employment Agreement provides that Mr. Loucks may not terminate his employment with the Bank without 90 days' prior written notice. The Bank may, without notice, terminate Mr. Loucks' employment with or without cause, although the Bank can require Mr. Loucks to remain in the employ of the Bank for up to 60 days after notice of termination.

The Employment Agreement compensates Mr. Loucks upon his termination according to the nature of his termination. The Employment Agreement provides that Mr. Loucks has no right to receive compensation or other benefits if he is terminated for cause or due to his death or disability (provided the Bank has made life and disability insurance available to Mr. Loucks). If Mr. Loucks is terminated without cause, the Employment Agreement provides for a lump-sum cash payment of an amount equal to Mr. Loucks' salary for the twelve months prior to his termination and certain other benefits, such as payment of Mr. Loucks' medical insurance premiums for twelve months after his termination. The Employment Agreement provides that if Mr. Loucks is terminated pursuant to a change or potential change in control of the Bank, he will receive twelve months' notice of termination of his employment (thereby entitling him to a year's salary and benefits) and a lump-sum payment at the end of the aforementioned twelve-month period equal to his current salary at the time of the change of control and the highest bonus received by Mr. Loucks in the 36 months prior to his termination. Mr. Bisceglia and Mr. Forgie also have change in control agreements with the Bank. Their agreements provide for the following if there is an actual change in control or if the Bank seeks to terminate their agreements following a potential change in control but prior to a potential change in control being terminated: an additional five years to be added to their service for the purposes of vesting of any benefit plan of the Bank or its successor, twelve months' notice of termination of their employment (thereby entitling them to a year's salary and benefits) and a lump-sum payment at the end of the aforementioned twelve-month period equal to their current salary at the time of the change of control and the highest bonus received by each in the 36 months prior to their termination. Mr. Bisceglia's and Mr. Forgie's agreements define a change in control similarly to the definition in Mr. Loucks's Employment Agreement. Mr. Loucks's agreement defines a change in control to include any person becoming the beneficial owner of 25 percent or more of the voting shares of the Bank, any person holding proxies regarding election or removal of directors of the Bank equal to 25 percent or more of the voting shares of the Bank, any person having entered into an agreement regarding acquisition of beneficial ownership of 25 percent or more of the total voting shares of the Bank, or, as a result of a merger, other business combination, sale of assets or contested election, the persons who were directors of the Bank prior to such transaction no longer constitute at least two-thirds of the Bank's Board of Directors after the transaction.

The Retirement Agreement currently provides Mr. Loucks with a supplemental annual pension of \$30,000 commencing on Mr. Loucks' retirement at age 65 and payable for 20 years thereafter. The Retirement Agreement also provides that if Mr. Loucks retires between the ages of 55 and 64, he will receive for 20 years thereafter lesser but graduated benefit amounts depending on his age at retirement. The Retirement Agreement provides that if Mr. Loucks is involuntarily terminated within two years after a change in control of the Bank or if he resigns as a result of a demotion, a ten percent reduction in his salary or an involuntary reduction in his responsibilities at the Bank, Mr. Loucks' 20-year \$30,000 annual retirement payment will commence regardless of his age.

## AUDIT AND COMPLIANCE COMMITTEE REPORT

The Audit and Compliance Committee of the Board is responsible for providing independent, objective oversight of the Bank's accounting functions, internal controls and financial reporting process. The Audit and Compliance Committee is composed of six directors, each of whom is independent as defined by the National Association of Securities Dealers' listing standards.

Management is responsible for the Bank's internal controls and financial reporting process. The Bank's independent accountants, Shatswell, MacLeod & Co., P.C., are responsible for performing an independent audit of the Bank's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report thereon. The Audit and Compliance Committee's responsibility is to monitor and oversee the financial reporting and audit processes.

In connection with these responsibilities, the Bank's Audit and Compliance Committee met with management and the independent accountants to review and discuss the Bank's December 31, 2002 consolidated financial statements. The Audit and Compliance Committee also discussed with the independent accountants the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit and Compliance Committee also received written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit and Compliance Committee discussed with the independent accountants that firm's independence.

Based upon the Audit and Compliance Committee's discussions with management and the independent accountants, and its review of the information described in the preceding paragraph, the Audit and Compliance Committee recommended that the Board include the audited consolidated financial statements in the Bank's annual report on Form 10-KSB for the last fiscal year.

The Board has adopted a written charter for the Audit & Compliance Committee.

### Audit Committee

George B. Odum, DMD (Chairman)  
Modesto F. Brunoli  
James T. Fleming  
Edward J. Guarco  
Penny R. Woodford  
Evan W. Woollacott

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Bank's directors, executive officers and persons who beneficially own more than 10% of the Bank's Common Stock ("Reporting Persons") to file certain reports concerning their beneficial ownership of the Bank's Common Stock with the Federal Deposit Insurance Corporation (the "FDIC"). Based solely upon the Bank's review of its Reporting Persons' Forms F-7, F-8 and F-8A filed with the FDIC during and for the year ended December 31, 2002, and on written representations by certain officers and directors, all Reporting Persons filed the required reports on a timely basis.

**ITEM 2****RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS**

The Bank's Audit Committee has selected Shatswell, MacLeod & Co., P.C. as independent auditors to audit the financial statements of the Bank for the fiscal year ending December 31, 2003 and has determined that it would be desirable to request that the Shareholders ratify such selection. Shatswell, MacLeod & Co., P.C. served as the Bank's independent auditors for the fiscal year ended December 31, 2002 and has reported on the Bank's financial statements for such year. A representative of Shatswell, MacLeod & Co., P.C. is expected to be present at the 2003 Annual Meeting and will have the opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from Shareholders.

While Shareholder ratification is not required for the selection of Shatswell, MacLeod & Co., P.C. since the Audit & Compliance Committee has the responsibility for selecting the Bank's independent auditors, the selection is being submitted for ratification at the 2003 Annual Meeting with a view towards soliciting the Shareholders' opinions, which the Board will take into consideration in future deliberations.

The ratification of the selection of Shatswell, MacLeod & Co., P.C. as independent auditors for fiscal 2003 requires the affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote. Abstentions by holders of such shares with respect to voting on this matter will have the effect of a negative vote; broker non-votes with respect to voting on this matter will have no effect on the outcome of the vote.

**Audit Fees**

The fees to be billed for professional services by Shatswell, MacLeod & Co., P.C. for the audit of the Bank's annual financial statements for the year ended December 31, 2002 will be approximately \$40,000.

**All Other Fees**

The fees for internal auditing services and for tax return preparation for the year ended December 31, 2002 will be approximately \$32,000. The Bank did not engage Shatswell nor pay any fees to Shatswell for financial information systems design or implementation during 2002. The Audit and Compliance Committee of the Board has considered whether the performance of services by Shatswell other than the audit of the Bank's annual financial statements is compatible with maintaining Shatswell's independence and concluded that Shatswell's independence is not weakened in any manner thereby. Management of the Bank is aware of the provisions of the recently enacted Sarbanes-Oxley Act and will comply with its various provisions, including but not limited to those related to auditors, as they become effective.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RATIFICATION OF SHATSWELL, MACLEOD & CO., P.C. AS INDEPENDENT AUDITORS OF THE BANK FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003.**

## OTHER MATTERS

The Board knows of no other business to be brought before the 2003 Annual Meeting. If, however, any other business should properly come before the 2003 Annual Meeting, the persons named in the accompanying proxy will vote the proxy as in their discretion they may deem appropriate, unless they are directed by the proxy to do otherwise.

## SHAREHOLDER PROPOSALS AND NOMINATIONS

Shareholders entitled to vote for the election of directors at the 2004 Annual Meeting may make nominations of individuals for election to the Board. Such nominations shall be made in writing, and shall be delivered or mailed and received by the Secretary of the Bank not less than 90 nor more than 130 calendar days prior to such Annual Meeting, which is expected to be held on May 11, 2004. The Board's Executive Committee considers such nominations.

Such written nominations shall contain the following information, to the extent known to the nominating Shareholder: (1) the name, age, business and residence address of each proposed nominee; (2) the principal occupation or employment of each proposed nominee; (3) the total number of shares of Common Stock of the Bank that are beneficially owned by each proposed nominee; (4) the name and address of the nominating Shareholder; (5) the total number of shares of Common Stock of the Bank owned by the nominating Shareholder; (6) a representation that the Shareholder is a holder of record of stock of the Bank entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; and (7) a description of all arrangements or understandings between the Shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the Shareholders. Nominations by beneficial owners of stock of the Bank who are not record holders must be accompanied by evidence satisfactory to the Secretary of the Bank showing that such nominating persons are entitled to act with respect to such shares. Nominations that are not made in accordance with these procedures shall be deemed void. The credentials and qualifications of all nominees also are subject to review by the Board.

Any proposal intended to be presented by a Shareholder at the Bank's 2004 Annual Meeting of Shareholders which is not a nomination to the Board must be presented to the Bank in writing, and must be delivered or mailed and received by the Secretary of the Bank not less than 90 nor more than 130 calendar days prior to the 2004 Annual Meeting, which is expected to be held on May 11, 2004. Such notice shall include: (1) a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the 2004 Annual Meeting; (2) the name and address, as they appear on the Bank's records, of the Shareholder proposing such business; (3) the number of shares of the Bank's Common Stock which are beneficially owned by the Shareholder; and (4) any material interest of the Shareholder in such business.

Shareholder proposals for inclusion in the 2004 Proxy Statement and form of proxy for the Annual Meeting of Shareholders to be held in 2004 must be received by the Secretary of the Bank on or before February 11, 2004. Shareholder proposals submitted to be considered at the 2004 Annual Meeting without inclusion in next year's proxy materials must be received by the Bank no later than 20 calendar days prior to such Annual Meeting, which is expected to be held on May 11, 2004. If the Bank is not notified of a shareholder proposal by that date, the proxies held by Management may provide the

discretion to vote against such shareholder proposal, even though such proposal is not discussed in the proxy statement.

Copies of Form 10-KSB Annual Report, which serves as the Bank's annual disclosure statement under part 350 of the FDIC Rules and Regulations, will be forwarded without charge upon written request to Robert J. Bogino, Secretary, The Simsbury Bank & Trust Company, Inc., 981 Hopmeadow Street, P.O. Box 248, Simsbury, Connecticut 06070-0248.

Nominations and proposals should be addressed to Robert J. Bogino, Secretary, The Simsbury Bank & Trust Company, Inc., 981 Hopmeadow Street, P.O. Box 248, Simsbury, Connecticut 06070-0248. It is suggested that such nominations and proposals be sent by Certified Mail-Return Receipt Requested.

#### **DELIVERY OF DOCUMENTS TO SECURITY HOLDERS SHARING AN ADDRESS**

The Bank intends to deliver one Annual Report and Proxy Statement to multiple Shareholders of the Bank sharing an address, unless we receive contrary instructions from one or more of such Shareholders. Upon request, we will provide a separate copy of the Bank's Annual Report and Proxy Statement to a Shareholder sharing an address with another Shareholder to which a single copy of the Annual Report and Proxy Statement were sent. To request an additional copy of the Annual Report or Proxy Statement, please call the Bank at (860) 658-2265 or write to us at The Simsbury Bank & Trust Company, Inc., 981 Hopmeadow Street, P.O. Box 248, Simsbury, Connecticut 06070-0248. In the future, if you wish to receive a separate copy of the Bank's Annual Report and Proxy Statement, please call or write to us at the number and address listed above.

**By order of the Board of Directors**



**Robert J. Bogino, Secretary**

April 11, 2003