

REBELL ARTHUR L
Form 4
June 21, 2007

FORM 4 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
REBELL ARTHUR L

2. Issuer Name and Ticker or Trading Symbol
DIAMOND OFFSHORE DRILLING INC [DO]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)
06/20/2007

Director 10% Owner
 Officer (give title below) Other (specify below)

677 MADISON AVENUE

(Street)

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
 Form filed by One Reporting Person
 Form filed by More than One Reporting Person

NEW YORK, NY 10021

(City) (State) (Zip)

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)		5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				Code	V Amount Price			
Common Stock	06/20/2007		M	500	A \$ 23.65	500	D	
Common Stock	06/20/2007		S	500	D \$ 102.6737	0	D	
Common Stock	06/20/2007		M	500	A \$ 32.78	500	D	
Common Stock	06/20/2007		S	500	D \$ 102.6737	0	D	
Common Stock	06/20/2007		M	500	A \$ 40.12	500	D	

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Common Stock	06/20/2007	S	500	D	\$ 102.6737	0	D
Common Stock	06/20/2007	M	500	A	\$ 49.68	500	D
Common Stock	06/20/2007	S	500	D	\$ 102.6737	0	D
Common Stock	06/20/2007	M	500	A	\$ 53.6	500	D
Common Stock	06/20/2007	S	500	D	\$ 102.6737	0	D
Common Stock	06/20/2007	M	500	A	\$ 61.9	500	D
Common Stock	06/20/2007	S	500	D	\$ 102.6737	0	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474
(9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. P... Der... Sec... (Ins...)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Stock Option (right to buy)	\$ 23.65	06/20/2007		M	500	07/01/2004 07/01/2014	Common Stock	500	
Stock Option (right to buy)	\$ 32.78	06/20/2007		M	500	10/01/2004 10/01/2014	Common Stock	500	
	\$ 40.12	06/20/2007		M	500	01/03/2005 01/03/2015		500	

Stock Option (right to buy)								Common Stock	
Stock Option (right to buy)	\$ 49.68	06/20/2007		M	500	04/01/2005	04/01/2015	Common Stock	500
Stock Option (right to buy)	\$ 53.6	06/20/2007		M	500	07/01/2005	07/01/2015	Common Stock	500
Stock Option (right to buy)	\$ 61.9	06/20/2007		M	500	10/03/2005	10/03/2015	Common Stock	500

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
REBELL ARTHUR L 677 MADISON AVENUE NEW YORK, NY 10021		X		

Signatures

/s/ William C. Long Attorney-in-Fact for Arthur L. Rebell
 06/21/2007

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 60; From and after the Effective Time of the Merger, Liberty shall indemnify, defend and hold harmless each person who is now, or who has been at any time before the date hereof or who becomes before the Effective Time of the Merger, a director of SSE (the "Indemnified Parties") against all losses, claims, damages, costs, expenses (including reasonable attorney's fees), liabilities or judgments or amounts that are paid in settlement (which settlement shall require the prior written consent of Liberty, which consent shall not be unreasonably withheld) of or in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, investigative or administrative (each a "Claim"), in which an Indemnified Party is, or is threatened to be made, a party or witness in whole or in part on or arising in whole or in part out of the fact that such person is or was a director of SSE or any of the SSE Subsidiaries if such Claim pertains to any matter of fact arising, existing or occurring at or before the Effective Time of the Merger (including, without limitation, the Merger and the Bank Merger and the other transactions contemplated by this Agreement and the Bank Merger Agreement), regardless of whether such Claim is asserted or claimed before, or after, the Effective Time of the Merger or the Effective Time of the Bank Merger (the

“Indemnified Liabilities”), as provided under applicable state or federal law and under SSE’s Certificate of Incorporation and Bylaws. Liberty shall only pay expenses in advance of the final disposition of any such action or proceeding to each Indemnified Party if permitted by applicable state or federal law and upon receipt of an undertaking to repay such advance payments if the Indemnified Party shall be adjudicated or determined not to be entitled to indemnification.

7.7 The Acquisition Corporation Organizational Documents. Prior to the Effective Time, the Acquisition Corporation will be a corporation duly organized and in good standing or legal existence, as appropriate, under the laws of the jurisdiction in which it is organized with full corporate power and authority to own or lease all of its properties and assets and to carry on its business as then conducted and shall be duly licensed or qualified to do business and be in good standing or legal existence, as appropriate, in each jurisdiction in which its ownership or leasing of property or the conduct of its business requires such licensing or qualification. Promptly following the organization of the Acquisition Corporation, the Board of Directors thereof shall approve this Agreement and the transactions contemplated hereby, and Liberty shall cause the Acquisition Corporation to execute and deliver an appropriate instrument of accession to this Agreement, whereupon the Acquisition Corporation shall become a party to, and be bound by, this Agreement.

ARTICLE VIII

REGULATORY AND OTHER MATTERS

8.1 SSE Special Meeting. SSE will, in accordance with applicable law and SSE's Certificate of Incorporation and Bylaws, (i) as promptly as reasonably practicable take all steps necessary to duly call, give notice of, convene and hold a meeting of its shareholders (the "SSE Shareholders Meeting") for the purpose of approving this Agreement and the transactions contemplated by this Agreement, and for such other purposes as may be, in SSE's and Liberty's reasonable judgment, necessary or desirable, (ii) subject to the fiduciary responsibility of the Board of Directors of SSE as advised by counsel, recommend to its shareholders the approval of the aforementioned matters to be submitted by it to its shareholders and oppose any third party proposal or other action that is inconsistent with this Agreement or the consummation of the transactions contemplated by this Agreement, and (iii) cooperate and consult with Liberty with respect to each of the foregoing matters. Except with the prior approval of Liberty, no other matters shall be submitted for approval of the SSE shareholders at the SSE Shareholders Meeting.

8.2 Proxy Statement.

8.2.1 For the purposes of holding the SSE Shareholders Meeting, SSE shall draft and prepare, and Liberty shall cooperate in the preparation of, a proxy statement or statements satisfying all legal requirements and all material provisions and regulations thereunder (such proxy statement in the form mailed by SSE to the SSE shareholders, together with any and all amendments or supplements thereto, being herein referred to as the "Proxy Statement").

8.2.2 Liberty shall provide SSE with any information concerning Liberty and the Acquisition Corporation that SSE may reasonably request in connection with the drafting and preparation of the Proxy Statement and SSE shall notify Liberty promptly of any problems with respect to the Proxy Statement. SSE shall give Liberty and its counsel the opportunity to review and comment on the Proxy Statement prior to its being printed and shall give Liberty and its counsel the opportunity to review and comment on all amendments and supplements to the Proxy Statement prior to their being printed. Each of Liberty and SSE agrees to use all reasonable efforts, after consultation with the other party hereto, to cause the Proxy Statement and all required amendments and supplements thereto to be mailed to the holders of SSE Common Stock entitled to vote at the SSE Shareholders Meeting at the earliest practicable time.

8.2.3 Liberty and SSE each shall promptly notify the other party if at any time either of them, respectively, becomes aware that the Proxy Statement contains any untrue statement of a material fact or omits to state a material fact about themselves required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading. In such event, Liberty shall cooperate with SSE in the preparation of a supplement or amendment to such Proxy Statement which corrects such misstatement or omission, and SSE shall mail an amended Proxy Statement to SSE's shareholders.

8.3 Regulatory Approvals. Each of SSE, Liberty and the Acquisition Corporation will cooperate with the other parties hereto and use all reasonable efforts to prepare and expeditiously file as soon as reasonably practicably all necessary filings and to obtain all necessary permits, consents, approvals and authorizations of all third parties and governmental bodies necessary to consummate the transactions contemplated by this Agreement and the Bank Merger Agreement, including without limitation the Merger and the Bank Merger. Within forty-five (45) days after the date of this Agreement, Liberty and the Acquisition Corporation shall prepare and submit the necessary filings to the applicable Governmental Entities, including but not limited to the FDIC, the Connecticut Department of Banking and the Federal Reserve Board, seeking consent to the consummation of the Merger and the Bank Merger and transactions contemplated by this Agreement and the Bank Merger Agreement. SSE, Liberty and the Acquisition Corporation will furnish each other party hereto and each other party's counsel with all information concerning themselves, their subsidiaries, directors, officers and shareholders and such other matters as may be necessary or advisable in connection with the Proxy Statement and any petition or any other statement or application made by or on behalf of Liberty, the Acquisition Corporation or SSE to any Governmental Entity in connection with the Merger and the Bank Merger, and the other transactions contemplated by this Agreement and the Bank Merger Agreement. Each party hereto shall have the right to review and approve in advance all characterizations of the information relating to such party and any of its Subsidiaries that appear in any filing made in connection with the transactions contemplated by this Agreement and the Bank Merger Agreement with any Governmental Entity. In addition, Liberty, the Acquisition Corporation and SSE shall each furnish to each other party hereto for review a copy of each such filing made in connection with the transactions contemplated by this Agreement and the Bank Merger Agreement with any Governmental Entity prior to its filing.

ARTICLE IX

CLOSING CONDITIONS

9.1 Conditions to Each Party's Obligations under this Agreement. The respective obligations of each party under this Agreement and the Bank Merger Agreement shall be subject to the fulfillment at or prior to the Closing Date of the following conditions, none of which may be waived:

9.1.1 This Agreement and the transactions contemplated by this Agreement, including the Merger and the Bank Merger, shall have been approved by the requisite vote of shareholders of SSE and BSC.

9.1.2 None of the parties hereto shall be subject to any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits the consummation of the transactions contemplated by this Agreement or the Bank Merger Agreement.

9.1.3 All necessary approvals, authorizations and consents of all Governmental Entities required to consummate the transactions contemplated by this Agreement and the Bank Merger Agreement, including the Merger and the Bank Merger, shall have been obtained and shall remain in full force and effect and all waiting periods relating to such approvals, authorizations or consents shall have expired; and no such approval, authorization or consent shall include any condition or requirement, excluding standard conditions that are normally imposed by the regulatory authorities in bank merger transactions, that would, in the good faith reasonable judgment of the Board of Directors of Liberty, materially and adversely affect the business, operations, financial condition, property or assets of the combined enterprise of SSE and Liberty or otherwise materially impair the value of SSE to Liberty.

9.2 Conditions to the Obligations of Liberty under this Agreement. The obligations of Liberty under this Agreement shall be further subject to the satisfaction or waiver of the conditions set forth in Sections 9.2.1 through 9.2.6 at or prior to the Closing:

9.2.1 Except as otherwise contemplated by this Agreement, the Bank Merger Agreement or consented to in writing by Liberty, the representations and warranties of SSE set forth in this Agreement and the Bank Merger Agreement shall be true and correct in all material respects as of the date of this Agreement or the Bank Merger Agreement and as of the Effective Time of the Merger as though made on and as of the Effective Time of the Merger (or on the date when made in the case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Agreement or the Bank Merger Agreement or consented to in writing by Liberty; provided, however, that (i) in determining whether or not the condition contained in this Section 9.2.1 shall be satisfied, no effect shall be given to any exceptions in such representations and warranties relating to materiality or Material Adverse Effect and (ii) the condition contained in this Section 9.2.1 shall be deemed to be satisfied unless the failure of such representations and warranties to be so true and correct constitute, individually or in the aggregate, a Material Adverse Effect on SSE, taken as a whole; and SSE shall have delivered to Liberty a certificate of SSE to such effect signed by the Chief Executive Officer and the Chief Financial Officer of SSE as of the Effective Time of the Merger.

9.2.2 As of the Closing Date, SSE and the SSE Subsidiaries shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants of SSE and the SSE Subsidiaries to be performed or complied with by each of them at or prior to the Effective Date of the Merger under this Agreement, except to the extent that any failure to perform or comply shall not individually, or in the aggregate, have a Material Adverse Effect on SSE and the SSE Subsidiaries, taken as a whole, or materially adversely affect consummation of the Merger and the Bank Merger and the other transactions contemplated by this Agreement and the Bank Merger Agreement; and Liberty shall have received a certificate signed on behalf of SSE by the Chief Executive Officer and Chief Financial Officer of SSE to such effect dated as of the Effective Time of the Merger.

9.2.3 SSE and the SSE Subsidiaries shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger and the Bank Merger by SSE, the failure to obtain which would have a Material Adverse Effect on SSE and the SSE Subsidiaries, taken as a whole.

9.2.4 Reasonably contemporaneously with the execution of this Agreement, each executive officer and director of SSE shall have executed a Shareholder Agreement in the form attached as Exhibit B hereto.

9.2.5 Since September 30, 2012, no event has occurred or circumstance has arisen that, individually or in the aggregate, has had or is reasonably likely to have a Material Adverse Effect on SSE or BSC.

9.2.6 Any order or formal or informal supervisory action by any Bank Regulators, the SEC, NYSE Amex or any securities exchange received by SSE or BSC, whether before or after the date of this Agreement, shall not become applicable to Liberty.

9.3 Conditions to the Obligations of SSE and BSC under this Agreement. The obligations of SSE under this Agreement shall be further subject to the satisfaction of the conditions set forth in Sections 9.3.1 through 9.3.4 at or prior to the Closing:

9.3.1 Except as otherwise contemplated by this Agreement or consented to in writing by SSE, the representations and warranties of Liberty and the Acquisition Corporation set forth in this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time of the Merger as though made on and as of the Effective Time of the Merger (or on the date when made in the case of any representation and warranty which specifically relates to an earlier date), except as otherwise contemplated by this Agreement or consented to in writing by SSE; provided, however, that (i) in determining whether or not the condition contained in this Section 9.3.1 shall be satisfied, no effect shall be given to any exceptions in such representations and warranties relating to materiality or Material Adverse Effect and (ii) the condition contained in this Section 9.3.1 shall be deemed to be satisfied unless the failure of such representations and warranties to be so true and correct constitute, individually or in the aggregate, a Material Adverse Effect on Liberty; and Liberty shall have delivered to SSE a certificate of Liberty to such effect signed by the Chief Executive Officer and the Chief Financial Officer of Liberty as of the Effective Time of the Merger.

9.3.2 As of the Closing Date, Liberty shall have performed in all material respects all obligations and complied in all material respects with all agreements or covenants of Liberty to be performed or complied with by it at or prior to the Effective Date of the Merger under this Agreement except to the extent that any failure to perform or comply shall not individually, or in the aggregate, have a Material Adverse Effect on Liberty or materially adversely affect consummation of the Merger and the Bank Merger and the other transactions contemplated by this Agreement and the Bank Merger Agreement; and SSE shall have received a certificate signed on behalf of Liberty by the Chief Executive Officer and Chief Financial Officer of Liberty to such effect dated as of the Effective Time of the Merger.

9.3.3 Liberty shall have obtained any and all material permits, authorizations, consents, waivers, clearances or approvals required for the lawful consummation of the Merger and the Bank Merger by Liberty and the Acquisition Corporation, the failure to obtain which would have a Material Adverse Effect on Liberty and its Subsidiaries, taken as a whole.

9.3.4 Liberty shall have delivered the Exchange Fund to the Exchange Agent on or before the Closing Date and the Exchange Agent shall have provided SSE with a certificate evidencing such delivery.

ARTICLE X

THE CLOSING

10.1 Time and Place. Subject to the provisions of Articles IX and XI hereof, the closing of the transactions contemplated by this Agreement (the “Closing”) shall take place at the offices of Cranmore, FitzGerald & Meaney, 49 Wethersfield Avenue, Hartford, Connecticut at 10:00 a.m. on the date determined by Liberty, in its sole discretion, upon five (5) Business Days prior written notice to SSE and BSC, but in no event later than thirty (30) days after the last condition precedent pursuant to this Agreement has been fulfilled or waived (including the expiration of any applicable waiting period), or at such other place, date or time upon which Liberty, SSE and BSC mutually agree.

10.2 Deliveries at the Closing. At the Closing there shall be delivered (i) to Liberty and SSE the certificates and other documents and instruments required to be delivered at the Closing under Article IX hereof and (ii) to the Exchange Agent on behalf of SSE the Merger Consideration required to be delivered at the Closing under Section 9.3.4 hereof.

ARTICLE XI

TERMINATION, AMENDMENT AND WAIVER

11.1 Termination. This Agreement and the Bank Merger Agreement may be terminated and the transactions contemplated by this Agreement and the Bank Merger Agreement may be terminated at any time prior to the Closing Date, whether before or after approval of the Merger and the transactions contemplated by this Agreement by the shareholders of SSE:

11.1.1 By the mutual written agreement of Liberty and SSE;

11.1.2 By either Liberty or SSE (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a breach of any of the representations or warranties set forth in this Agreement on the part of the other party such that the conditions set forth in Sections 9.2.1 or 9.3.1, as the case may be, would not be satisfied and such breach by its nature cannot be cured prior to the Closing Date or shall not have been cured within thirty (30) days after written notice by Liberty to SSE (or by SSE to Liberty) of such breach;

11.1.3 By either Liberty or SSE (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) if there shall have been a failure to perform or comply with any of the covenants or agreements set forth in this Agreement on the part of the other party such that the conditions set forth in Sections 9.2.2 or 9.3.2, as the case may be, would not be satisfied and such failure by its nature cannot be cured prior to the Closing Date or shall not have been cured within thirty (30) days after written notice by Liberty to SSE (or by SSE to Liberty) of such failure;

11.1.4 By either Liberty or SSE if the Closing shall not have occurred by the Termination Date, or such later date as shall have been agreed to in writing by Liberty and SSE; provided, that no party may terminate this Agreement pursuant to this Section 11.1.4 if the failure of the Closing to have occurred on or before said date was due to such party's breach of any of its obligations under this Agreement;

11.1.5 By either Liberty or SSE if the shareholders of SSE shall have voted at the SSE Shareholders Meeting on this Agreement, the Merger and the transactions contemplated by this Agreement and such vote shall not have been sufficient to approve the Agreement, the Merger and the transactions contemplated by this Agreement;

11.1.6 By either Liberty or SSE (a) if final action has been taken by a Government Entity whose approval or non-objection is required in connection with this Agreement or the Bank Merger Agreement and the transactions contemplated by this Agreement and the Bank Merger Agreement, which final action (i) has become nonappealable and (ii) does not approve or state a non-objection to this Agreement and the Bank Merger Agreement and the transactions contemplated by this Agreement and the Bank Merger Agreement, (b) if any regulatory authority whose approval or non-objection is required in connection with this Agreement and the Bank Merger Agreement and the transactions contemplated by this Agreement and the Bank Merger Agreement has stated in writing that it will not issue the required approval or non-objection, or (c) if any court of competent jurisdiction or other governmental authority shall have issued an order, decree, ruling or taken any other action restraining, enjoining or otherwise prohibiting the Merger or the Bank Merger and such order, decree, ruling or other action shall have become final and nonappealable;

11.1.7 By (a) SSE (provided that SSE is not then in material breach of any representation, warranty, covenant or other agreement contained herein) in the event that any of the conditions precedent to the obligations of SSE to consummate the Merger and the Bank Merger, as set forth in Article IX, cannot be satisfied or fulfilled by June 28, 2013, provided, however, that if required regulatory approvals and non-objections of Governmental Entities have not been received by such date and the parties are acting in good faith to obtain such approvals and non-objections such date shall be automatically extended until September 30, 2013, or (b) either Liberty or SSE (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained herein) in the event that any of the conditions precedent to the obligations of such party to consummate the Merger and the Bank Merger, as set forth in Article IX, cannot be satisfied or fulfilled by the Termination Date;

11.1.8 By Liberty if (a) at any time prior to the SSE Shareholder Meeting, the SSE Board of Directors shall have failed for any reason to make its recommendation referred to in Section 8.1, withdrawn such recommendation or modified or changed such recommendation in a manner adverse in any respect to the interests of Liberty, or (b) the SSE Board of Directors shall have failed for any reason to call, give notice of, convene and hold the SSE Shareholder Meeting by May 31, 2013;

11.1.9 By Liberty if a tender offer or exchange offer for 25% or more of the outstanding shares of SSE Common Stock is commenced (other than by Liberty), and the SSE Board of Directors recommends that the shareholders of SSE tender their shares in such tender or exchange offer or otherwise fails to recommend that such shareholders reject such tender offer or exchange offer within ten (10) business days after commencement of the tender offer or exchange offer;

11.1.10 At any time prior to the SSE Shareholders Meeting, by SSE in order to concurrently enter into an acquisition agreement or similar agreement (each, an "Acquisition Agreement") with respect to a Superior Proposal which has been received and considered by SSE and the SSE Board of Directors in compliance with Section 6.10 hereof, provided, however, that this Agreement may be terminated by SSE pursuant to this Section 11.1.10 only after the fifth Business Day following Liberty's receipt of written notice from SSE advising Liberty that SSE is prepared to enter into an Acquisition Agreement with respect to a Superior Proposal, and only if, during such five-Business Day period, Liberty does not, in its sole discretion, make a Liberty Proposal that the SSE's Board of Directors determines, in compliance with Section 6.10.4 hereof, is not at least equal to the Superior Proposal.

For purposes of this Section 11.1, termination of this Agreement by Liberty shall be deemed to constitute a termination on behalf of the Acquisition Corporation.

11.2 Effect of Termination.

11.2.1 In the event of termination of this Agreement pursuant to any provision of Section 11.1, this Agreement and the Bank Merger Agreement shall forthwith become void and have no further force, except that (i) the provisions of Sections 11.1, 11.3, 12.1, 12.2, 12.6, 12.9, 12.10, this Section 11.2, and (ii) any other Section which, by its terms, relates to post-termination rights or obligations, shall survive such termination of this Agreement and remain in full force and effect.

11.2.2 In recognition of the efforts, expenses and other opportunities foregone by Liberty while structuring and pursuing the Merger and the Bank Merger, the parties hereto agree that SSE shall pay to Liberty a termination fee of Four Hundred Fifty Thousand Dollars (\$450,000) (the "SSE Termination Fee") in the manner set forth below only if:

(i) this Agreement is terminated by Liberty pursuant to Section 11.1.8 or 11.1.9;

(ii) this Agreement is terminated by (A) Liberty pursuant to Sections 11.1.2 or 11.1.3, or (B) by either Liberty or SSE pursuant to Section 11.1.5, and in the case of any termination pursuant to clause (A) or (B) an Acquisition Proposal shall have been publicly announced or otherwise communicated or made known to the senior management of SSE or the SSE Board of Directors (or any Person shall have publicly announced, communicated or made known an intention, whether or not conditional, to make an Acquisition Proposal) at any time after the date of this Agreement and prior to the taking of the vote of the shareholders of SSE contemplated by this Agreement at the SSE Shareholder Meeting, in the case of clause (B), or the date of termination of this Agreement, in the case of clause (A); or

(iii) this Agreement is terminated by SSE pursuant to Section 11.1.10.

Any amount that becomes payable by SSE pursuant to Section 11.2.2(i) or (iii) shall be satisfied on or before the third Business Day following termination of this Agreement. Any amount that becomes payable by SSE pursuant to Section 11.2.2(ii) shall be satisfied in the amount of Two Hundred Twenty-Five Thousand Dollars (\$225,000) on or before the third Business Day following termination of this Agreement and an additional Two Hundred Twenty-Five Thousand Dollars (\$225,000) on or before the third Business Day following the date SSE or BSC enters into a definitive agreement relating to an Acquisition Transaction or the consummation of an Acquisition Transaction within one (1) year after termination of this Agreement pursuant to Section 11.2.2(ii) (y) by wire transfer of immediately available funds to an account designated by Liberty or (z) if SSE has been advised by a Governmental Entity or has received an opinion of its legal counsel that it cannot pay some or all of the SSE Termination Fee pursuant to clause (y) without obtaining the approval or non-objection of a Government Entity whose approval or non-objection has not been received, by delivery to Liberty of shares of Common Stock having a Fair Market Value equal to the portion not paid pursuant to clause (y), but in no event shall the number of shares of Common Stock issued pursuant to this clause (z) exceed 4.99% of the pro forma number of shares of Common Stock issued and outstanding reflecting such issuance. For purposes of Sections 11.2.2 and 11.2.3, "Fair Market Value" shall mean the average of the daily closing prices of a share of SSE Common Stock (and if there is no closing sales prices on any such day, then the mean between the closing bid and closing asked prices on that day) as reported on the NYSE Amex for the five (5) consecutive trading days immediately preceding the first public announcement of the transactions contemplated by this Agreement.

11.2.3 In the event of a termination of this Agreement pursuant to Section 11.1.2 or 11.1.3 hereof resulting from the willful conduct or gross negligence of SSE on the one hand or Liberty or the Acquisition Corporation on the other, SSE or Liberty shall be obligated to reimburse Liberty or SSE, as the case may be, for up to Three Hundred Fifty Thousand Dollars (\$350,000) of documented reasonable out-of-pocket costs and expenses, including, without limitation, reasonable legal, accounting and investment banking fees and expenses, incurred by such other party in connection with the entering into of this Agreement and the Bank Merger Agreement and the carrying out of any and all acts contemplated by this Agreement and the Bank Merger Agreement (collectively referred to as "Costs"). The payment of Costs is not an exclusive remedy, but is in addition to any other rights or remedies available to the parties hereto at law or in equity or as is contemplated herein. Any amount that becomes payable by Liberty pursuant to this Section 11.2.3 shall be satisfied by wire transfer of immediately available funds to an account designated by SSE on or before the third Business Day following termination of this Agreement. Any amount that becomes payable by SSE pursuant to this Section 11.2.3 shall be satisfied on or before the third Business Day following termination of this Agreement in the manner set forth in clauses (y) and (x) of Section 11.2.2, but in no event shall the number of shares of Common Stock issued pursuant to Sections 11.2.2 1 and 11.2.3 together exceed 4.99% of the pro forma number of shares of Common Stock issued and outstanding reflecting such issuances.

11.2.4 Except as provided in Sections 11.2.2 and 11.2.3 whether or not the Merger is consummated, all Costs incurred in connection with this Agreement and the Bank Merger Agreement and the transactions contemplated by this Agreement and the Bank Merger Agreement shall be borne by the party incurring such Costs.

11.2.5 In no event shall any officer, agent or director of SSE, the SSE Subsidiaries, Liberty or any Liberty Subsidiary, be personally liable hereunder for any default by any party in any of its obligations hereunder unless any such default was intentionally caused by such officer, agent or director.

11.3 Amendment, Extension and Waiver. Subject to applicable law, at any time prior to the Effective Time of the Merger (whether before or after approval of this Agreement and the transactions contemplated by this Agreement by the shareholders of SSE), the parties hereto by action of their respective Boards of Directors, may (a) amend this Agreement or the Bank Merger Agreement, (b) extend the time for the performance of any of the obligations or other acts of any other party under this Agreement or the Bank Merger Agreement, (c) waive any inaccuracies in the representations and warranties contained in this Agreement or the Bank Merger Agreement or in any document delivered pursuant to this Agreement or the Bank Merger Agreement, or (d) waive compliance with any of the agreements or conditions contained in this Agreement or the Bank Merger Agreement; provided, however, that after any approval of this Agreement and the transactions contemplated by this Agreement by the shareholders of SSE, there may not be, without further approval of such shareholders, any amendment of this Agreement which reduces the amount, value or changes the form of consideration to be delivered to SSE's shareholders or Option holders pursuant to this Agreement. This Agreement or the Bank Merger Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto. Any agreement on the part of a party hereto to any extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party, but such waiver or failure to insist on strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

ARTICLE XII

MISCELLANEOUS

12.1 Confidentiality. Except as specifically set forth herein, Liberty and SSE mutually agree to be bound by the terms of the confidentiality agreements previously executed by the parties hereto (the "Confidentiality Agreements"), which Confidentiality Agreements are hereby incorporated herein by reference. The parties hereto agree that such Confidentiality Agreements shall continue in accordance with their terms, notwithstanding the termination of this Agreement.

12.2 Public Announcements. SSE and Liberty shall cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement, except as may be otherwise required by law, and neither SSE nor Liberty shall issue any joint news releases with respect to this Agreement unless such news releases have been mutually agreed upon in writing by the parties hereto, except as required by law.

12.3 Formation of the Acquisition Corporation. Liberty shall promptly file with the Connecticut Banking Commissioner an application for the organization of the Acquisition Corporation pursuant to Connecticut General Statutes §36a-70(p)(1), as amended. Upon the issuance of a temporary certificate of authority to the Acquisition Corporation, Liberty shall cause the Acquisition Corporation to become a party to this Agreement.

12.4 Survival. All representations, warranties and covenants in this Agreement or in any instrument delivered pursuant hereto shall expire on and be terminated and extinguished at the Effective Date of the Merger, other than those covenants set forth in Sections 2.3, 2.4, 2.5, 7.5 and 7.6 or any other covenant that by its terms is to survive or be performed after the Effective Date of the Merger.

12.5 Notices. All notices or other communications hereunder shall be in writing and shall be deemed given if delivered by receipted hand delivery or mailed by prepaid registered or certified mail (return receipt requested) or by cable, telegram, telex or fax addressed as follows:

If to SSE or BSC, to:

The Bank of Southern Connecticut
Southern Connecticut Bancorp, Inc.
215 Church Street
New Haven, CT 06510
Attn: Mr. Joseph J. Greco
Chief Executive Officer
Fax: (203) 787-5056
Email: jjg@scbancorp.com

With required copies to:

Day Pitney, LLP
242 Trumbull Street
Hartford, CT 06103-1212
Attn: Robert M. Taylor, III
Fax: (860) 881-2523
Email: rmtaylor@daypitney.com

If to Liberty or the Acquisition Corporation, to:

315 Main Street
Middletown, CT 06457
Attn: Thomas J. Pastorello, Executive Vice President and Chief Financial Officer
Fax: (860) 344-7389
Email: tpastorello@liberty-bank.com
With required copies to:

Cranmore, FitzGerald & Meaney
47 Wethersfield Avenue
Hartford, CT 06114
Attn: J. J. Cranmore, Esq.
Fax: (860) 522-3379
Email: jcranmore@cfmlawfirm.com

or such other address as shall be furnished in writing by any party, and any such notice or communication shall be deemed to have been given as of the date so mailed.

12.6 Parties in Interest. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns; provided, however, that neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto without the prior written consent of the other parties hereto, and that (except as otherwise expressly provided in this Agreement) nothing in this Agreement is intended to confer upon any other person any rights or remedies under or by reason of this Agreement.

12.7 Complete Agreement. This Agreement and the Bank Merger Agreement, including the Exhibit and Disclosure Schedules hereto and the documents and other writings referred to in this Agreement or the Bank Merger Agreement or delivered pursuant to this Agreement or the Bank Merger Agreement, together with the Confidentiality Agreements referred to in Section 12.1, contain the entire agreement and understanding of the parties with respect to their subject matter. There are no restrictions, agreements, promises, warranties, covenants or undertakings between the parties other than those expressly set forth in this Agreement, the Bank Merger Agreement and the Confidentiality Agreements referred to in Section 12.1. This Agreement and the Bank Merger Agreement supersede all prior agreements and understandings (other than the Confidentiality Agreements referred to in Section 12.1 hereof) between the parties, both written and oral, with respect to their subject matter.

12.8 Counterparts. This Agreement may be executed in counterparts all of which shall be considered one and the same agreement and each of which shall be deemed an original.

12.9 Severability. In the event that any one or more provisions of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement and the parties shall use their reasonable efforts to substitute a valid, legal and enforceable provision which, insofar as practical, implements the purposes and intents of this Agreement.

12.10 Governing Law. This Agreement shall be governed by the laws of the State of Connecticut, without giving effect to conflicts of laws principles that would require the application of any other law.

12.11 Interpretation. When a reference is made in this Agreement to Sections or Exhibits, such reference shall be to a Section of or Exhibit to this Agreement unless otherwise indicated. The recitals hereto constitute an integral part of this Agreement. References to Sections include subsections, which are part of the related Section (e.g., a section numbered Section 5.5.1” would be part of “Section 5.5” and references to “Section 5.5” would also refer to material contained in the subsection described as “Section 5.5.1”). The table of contents, index and headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. Whenever the words “include”, “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation”. The phrases “the date of this Agreement”, “the date hereof” and terms of similar import, unless the context otherwise requires, shall be deemed to refer to the date set forth in the Recitals to this Agreement.

12.12 Specific Performance. The parties hereto agree that irreparable damage would occur in the event that the provisions contained in this Agreement were not performed in accordance with its specific terms or was otherwise breached. It is accordingly agreed that the parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions thereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at law or in equity.

Exhibit A - Form of Bank Merger Agreement.

Exhibit B – Form of Shareholder Agreement.

[SIGNATURES APPEAR ON THE FOLLOWING PAGES]

IN WITNESS WHEREOF, Liberty and SSE have caused this Agreement to be executed under seal by their duly authorized officers as of the date first set forth above.

LIBERTY BANK

By: /s/ Chandler J. Howard
Name: Chandler J. Howard
Title: President and Chief Executive Officer

SOUTHERN CONNECTICUT BANCORP, INC.

By: /s/ Joseph J. Greco
Name: Joseph J. Greco
Title: Chief Executive Officer

THE BANK OF SOUTHERN CONNECTICUT

By: /s/ Joseph J. Greco
Name: Joseph J. Greco
Title: Chief Executive Officer

IN WITNESS WHEREOF, the following directors of Southern Connecticut Bancorp, Inc. have executed this Agreement as of the date first set forth above.

/s/ Alphonse F. Spadaro
Alphonse F. Spadaro, Chairman

/s/ James S. Brownstein
James S. Brownstein, Esq.

/s/ Alfred J. Ranieri, Jr.
Alfred J. Ranieri, Jr., M.D.

Joshua H. Sandman, Ph.D.

/s/ Janette J. Parker
Janette J. Parker

/s/ Joseph J. Greco
Joseph J. Greco

IN WITNESS WHEREOF, the following directors of The Bank of Southern Connecticut have executed this Agreement as of the date first set forth above.

/s/ Alphonse F. Spadaro
Alphonse F. Spadaro, Chairman

/s/ James S. Brownstein
James S. Brownstein, Esq.

/s/ Alfred J. Ranieri, Jr.
Alfred J. Ranieri, Jr., M.D.

Joshua H. Sandman, Ph.D.

/s/ Janette J. Parker
Janette J. Parker

/s/ Joseph J. Greco
Joseph J. Greco

IN WITNESS WHEREOF, the following directors of Liberty Bank have executed this Agreement as of the date first set forth above.

/s/ Mark R. Gingras
Mark R. Gingras, Chairman

/s/ William T. Christopher
William T. Christopher

/s/ Jean M. D'Aquila
Jean M. D'Aquila

David Director

Winona S. Goings

/s/ Steve J. Gorss
Steve J. Gorss

/s/ Gary Gomola
Gary Gomola

/s/ Michael Helfgott
Michael Helfgott

/s/ Chandler J. Howard
Chandler J. Howard

/s/ Lawrence McHugh
Lawrence McHugh

/s/ Timothy Ryan
Timothy Ryan

/s/ Grace Sawyer Jones
Grace Sawyer Jones

/s/ Richard W. Tomc
Richard W. Tomc

AGREEMENT OF THE ACQUISITION CORPORATION

The Acquisition Corporation hereby agrees to become a party to, bound by and comply with all of the provisions of the Agreement and Plan of Merger dated as of January 16, 2013.

THE ACQUISITION CORPORATION

By: /s/ Thomas J. Pastorello
Name: Thomas J. Pastorello
Title: Organizer

Exhibit A

EXECUTION COPY

ARTICLES OF COMBINATION
and
BANK MERGER AGREEMENT

These Articles of Combination and Bank Merger Agreement (this “Bank Merger Agreement”) are made and entered into this 16th day of January, 2013 between Liberty Bank, a Connecticut-chartered mutual savings bank (“Liberty”), and The Bank of Southern Connecticut, a Connecticut-chartered stock bank (“BSC”).

WITNESSETH

WHEREAS, Liberty, BSC and Southern Connecticut Bancorp, Inc., a Connecticut corporation (“SSE”), have entered into an Agreement and Plan of Merger, dated as of January 16, 2013 (the “Agreement”);

WHEREAS, BSC is a wholly-owned subsidiary of SSE;

WHEREAS, pursuant to the Agreement, Liberty shall form a wholly-owned subsidiary which will merge with and into SSE and immediately thereafter SSE shall merge with and into Liberty (the “Merger”);

WHEREAS, BSC has issued and outstanding 2,500,000 shares of common stock, par value \$0.01 per share (“BSC Common Stock”), all of which is eligible to vote;

WHEREAS, all of the issued and outstanding shares of BSC Common Stock have been voted in favor of the merger of BSC with and into Liberty; and

WHEREAS, the Board of Directors of BSC and the Board of Directors of Liberty have each unanimously voted in favor of the merger of BSC with and into Liberty pursuant to this Bank Merger Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein and in the Agreement, the parties hereto do mutually agree, intending to be legally bound, as follows:

ARTICLE 1
DEFINITIONS

Except as otherwise provided herein, the capitalized terms set forth below shall have the following meanings:

1.1 “Bank Merger” shall refer to the merger of BSC with and into Liberty as provided in Section 2.1 of this Bank Merger Agreement.

- 1.2 “Banking Commissioner” shall mean the Commissioner of Banking of the State of Connecticut.
- 1.3 “Banking Law” shall mean the Banking Law of Connecticut, Connecticut General Statutes §§ 36a-1 et seq., as amended.
- 1.4 “Effective Time” shall mean the date and time at which the Bank Merger contemplated by this Bank Merger Agreement becomes effective as provided in Section 2.2 hereof.
- 1.5 “SOTS” means the Secretary of the State of the State of Connecticut.
- 1.6 “Surviving Bank” shall refer to Liberty as the surviving bank in the Bank Merger. The location of the main office of Liberty shall be at 315 Main Street, Middletown, Connecticut.

ARTICLE 2
TERMS OF THE BANK MERGER

2.1 The Bank Merger

- (a) Subject to the consummation of the Merger as contemplated by the Agreement, at the Effective Time BSC shall be merged with and into Liberty pursuant to Sections 36a-125 and 36a-126 of the Banking Law and other applicable law. Liberty shall be the Surviving Bank in the Bank Merger and shall continue to be regulated by the Banking Commissioner.
- (b) As a result of the Bank Merger, each share of BSC Common Stock issued and outstanding prior to the Effective Time shall automatically be canceled and shall cease to exist.
- (c) The Bank Merger shall have the effects set forth at Sections 36a-125 and 36a-126(a) of the Banking Law.

2.2 Effective Time

The Bank Merger shall become effective as of the close of the business on the date that this Bank Merger Agreement and the approval of the Banking Commissioner are filed with the SOTS. The Bank Merger shall not be effective unless and until approved by the Banking Commissioner and all other “Governmental Entities” (as defined in the Agreement) as contemplated by the Agreement.

2.3 Name of the Surviving Bank

The name of the Surviving Bank shall be “Liberty Bank” and, on or after the Effective Time, the main office of the Surviving Bank shall be 315 Main Street, Middletown, Connecticut.

2.4 Certificate of Incorporation

On or after the Effective Time, the Certificate of Incorporation, as amended, of Liberty in effect immediately prior to the Effective Time shall be the Certificate of Incorporation of the Surviving Bank until thereafter amended as provided therein and by applicable law.

2.5 Bylaws

On and after the Effective Time, the Bylaws, as amended, of Liberty in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Bank until thereafter amended as provided therein and by applicable law.

2.6 Directors and Officers

In accordance with its Bylaws, as amended, the current number of directors of Liberty Bank is thirteen (13). On and after the Effective Time, the directors of the Surviving Bank shall be the same directors of Liberty as prior to the Effective Time. On and after the Effective Time, the officers of the Surviving Bank shall be the officers of Liberty as prior to the Effective Time supplemented by those officers of BSC who accept employment from Liberty, in each case until their respective successors are duly elected or appointed and qualified. The directors and officers of the Surviving Bank shall hold office in accordance with the Certificate of Incorporation and Bylaws of the Surviving Bank.

2.7 Effects of the Bank Merger.

Upon consummation of the Bank Merger, and in addition to the effects under applicable law, including without limitation 12 U.S.C. §215A,

(i) all rights, franchises and interests of BSC in and to every type of property (real, personal and mixed), tangible and intangible, and choses in action shall be transferred to and vested in the Surviving Bank by virtue of the Bank Merger without any deed or other transfer, and the Surviving Bank, without any order or other action on the part of any court or otherwise, shall hold and enjoy all rights of property, franchises and interests, including appointments, designations and nominations, and all other rights and interests as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver and committee of estates of the mentally impaired, and in every other fiduciary capacity, in the same manner and to the same extent as such rights, franchises and interests were held or enjoyed by BSC immediately prior to the Effective Time; and

(ii) the Surviving Bank shall be liable for all liabilities of BSC, fixed or contingent, including all deposits, accounts, debts, obligations and contracts thereof, matured or unmatured, whether accrued, absolute, contingent or otherwise, and whether or not reflected or reserved against on balance sheets, books of account or records thereof, and all rights of creditors or obligees and all liens on property of BSC shall be preserved unimpaired.

ARTICLE 3
REPRESENTATIONS

Each of Liberty and BSC represents and warrants that this Bank Merger Agreement has been duly authorized, executed and delivered by such party and constitutes a legal, valid and binding obligation of such party, enforceable against it in accordance with the terms hereof (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws of general applicability relating to or affecting creditors' rights or by general principles of equity).

ARTICLE 4
MISCELLENEOUS

4.1 Amendments. To the extent permitted by law, this Bank Merger Agreement may be amended by a subsequent writing signed by the parties hereto upon the approval of the Board of Directors of SSE and the Board of Directors of Liberty.

4.2 Additional Actions. If, at any time after the Effective Time, the Surviving Bank shall consider that any further assignments or assurances in law or any other acts are necessary or desirable to (i) vest, perfect or confirm, of record or otherwise, in the Surviving Bank its rights, title or interest in, to or under any of the rights, properties or assets of BSC acquired or to be acquired by the Surviving Bank as a result of, or in connection with, the Bank Merger, or (ii) otherwise carry out the purposes of this Bank Merger Agreement, BSC and its proper officers and directors shall be deemed to have granted to the Surviving Bank an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurance in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Bank and otherwise to carry out the purposes of this Bank Merger Agreement; and the proper officers and directors of the Surviving Bank are fully authorized in the name of BSC or otherwise to take any and all such action.

4.3 Successors. This Bank Merger Agreement shall be binding on the successors of Liberty and BSC.

4.4 Counterparts. This Bank Merger Agreement may be executed in counterparts, each of which shall be considered one and the same agreement and each of which shall be deemed to be an original, and shall become effective when counterparts have been signed by each of the parties and delivered to the other party, it being understood that all parties need not sign the same counterpart.

4.5 Termination. This Bank Merger Agreement will terminate and the Bank Merger and the other transactions contemplated by this Bank Merger Agreement will be abandoned if at any time prior to the Effective Time the Agreement is terminated in accordance with Article XI thereof.

[Signatures on next page.]

In accordance with the procedures set forth in the Banking Law and other applicable law, Liberty and BSC have caused this Bank Merger Agreement to be executed by their duly authorized representatives on the date indicated.

LIBERTY BANK

	ATTEST:
By:	By:
Name:	Name:
Title:	Title:

The Board of Directors of Liberty Bank:

Mark R. Gingras, Chairman

Michael Helfgott

William T. Christopher

Chandler J. Howard

Jean M. D'Aquila

Lawrence McHugh

David Director

Timothy Ryan

Winona S. Goings

Grace Sawyer Jones

Steve J. Gorss

Richard W. Tomc

Gary Gomola

THE BANK OF SOUTHERN CONNECTICUT

ATTEST:

By:
Name:
Title:

By:
Name:
Title:

The Board of Directors of The Bank of Southern Connecticut:

Alphonse F. Spadaro, Chairman

James S. Brownstein, Esq.

Alfred J. Ranieri, Jr., M.D.

Joshua H. Sandman, Ph.D.

Janette J. Parker

Joseph J. Greco

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Exhibit B

EXECUTION COPY

CONFIDENTIAL FORM OF SHAREHOLDER AGREEMENT TO BE SIGNED BY EACH OF THE DIRECTORS AND CERTAIN EXECUTIVE OFFICERS OF SSE RELATING TO THE VOTING OF THE SSE SHARES OF COMMON STOCK WHICH THEY BENEFICIALLY OWN AND OVER WHICH THEY HAVE SOLE OR SHARED VOTING POWER.

Shareholder Agreement

January 16, 2013

Liberty Bank
315 Main Street
Middletown, CT 06457

Ladies and Gentlemen:

The undersigned beneficially owns and has sole voting power or shared voting power with respect to the number of shares of common stock, \$0.01 par value per share (the "Common Stock"), of Southern Connecticut Bancorp, Inc. ("SSE") indicated on the signature page hereof (the "Shares").

Contemporaneously with the execution of this letter agreement, Liberty Bank ("Liberty"), SSE and The Bank of Southern Connecticut have entered into an Agreement and Plan of Merger (the "Merger Agreement") dated as of the date hereof, providing for the merger of SSE with and into Liberty (the "Merger"), pursuant to which all of the issued and outstanding shares of Common Stock will be converted into the right to receive a cash payment on terms and conditions set forth in the Merger Agreement.

In consideration of Liberty's entering into the Merger Agreement and proceeding to use its best efforts to consummate the Merger, and in consideration of the expenses incurred and to be incurred by Liberty in connection therewith, the undersigned agrees as follows:

1. The undersigned will vote the Shares, or cause the Shares to be voted, for the approval of the Merger Agreement and the Merger, and any other matters relating thereto presented for approval of the shareholders of SSE, and will vote the Shares, or cause the Shares to be voted, against the approval of any other agreement providing for a merger, consolidation, sale of assets or other business combination of SSE or any of the SSE Subsidiaries (as defined in the Merger Agreement) with any person or entity other than Liberty.
2. The undersigned will not sell, assign, transfer or otherwise dispose of, or permit to be sold, assigned, transferred or otherwise disposed of, any of the Shares except (a) for transfers by will or by operation of law (in which case this Shareholder Agreement shall bind the transferee) and (b) as Liberty may otherwise agree in writing.

3. The undersigned agrees that unless exercised prior to the Effective Time (as defined in the Merger Agreement) of the Merger Agreement, any unexercised options owned or controlled by the undersigned shall be cancelled, as provided in Merger Agreement.

4. The undersigned will not:

- (a) directly or indirectly solicit or encourage (including by way of furnishing information), or initiate any communication with any other person or entity with respect to, any proposal for a merger, consolidation, sale of assets or other business combination involving SSE or any of the SSE Subsidiaries or for the acquisition of any capital stock of SSE or any of the SSE Subsidiaries; or
- (b) encourage any person, firm, corporation, group or other entity to engage in any of the actions covered by subparagraph (a) above.

5. If the Merger shall be consummated as provided in the Merger Agreement, then for a period commencing on the date of consummation of the Merger and terminating one (1) year thereafter, the undersigned (a) will continue to provide his or her personal and business banking business to Liberty to substantially the same extent as heretofore provided to SSE, provided that such services are offered by Liberty on commercially reasonable terms, (b) will not, to the extent that Liberty offers such services on commercially reasonable terms, directly or indirectly, solicit business for, or encourage any person to provide business to, any other banking or financial institution doing business in the geographic area comprised of New Haven County in the State of Connecticut, and (c) will not serve as a member of the governing board, or on any committee or advisory committee, or as an organizer or incorporator of, any bank, bank holding company, or other financial institution which maintains an office in Connecticut, other than the Liberty advisory board described in Section 2.4.2 of the Merger Agreement.

6. The undersigned represents that he or she has the complete and unrestricted power and the unqualified right to enter into and perform the terms of this Shareholder Agreement, and that this Shareholder Agreement constitutes a valid and binding agreement with respect to such party, enforceable against such party in accordance with its terms.

7. Contingent upon the effectiveness of the Merger, the undersigned hereby irrevocably and unconditionally releases and discharges SSE and its successors and assigns, from any and all claims, demands, agreements, promises, actions, causes of action, suits, obligations, costs, expenses, damages, losses and liabilities, of whatever kind or nature, at law or in equity or otherwise, whether known or unknown, which he or she ever had, may have had, now has, or may have in the future, for or by reason of any cause, thing, or matter whatsoever from the beginning of the world to the Effective Time of the Merger, arising or related to the undersigned acting as an officer or director of SSE or any of the SSE Subsidiaries, except only for any rights arising solely under and by reason of the Merger Agreement, including, without limitation the right of the undersigned to directors and officers indemnification insurance and indemnification as provided in Section 7.6 of the Merger Agreement.

8. The undersigned acknowledges that irreparable damage would occur if any of the provisions hereof were not performed in accordance with their specific terms or were otherwise breached. Accordingly, the undersigned agrees that Liberty shall be entitled to an injunction or injunctions to prevent breaches or threatened breaches of the provisions hereof and to enforce specifically the terms and provisions hereof in any court of competent jurisdiction in the United States or any state thereof, in addition to any other remedy to which Liberty may be entitled at law or equity.

9. This Shareholder Agreement shall apply to any and all shares of common stock of SSE acquired in any manner (including by exercise of options) by the undersigned after the date hereof and, for purposes of this Shareholder Agreement, any and all such after acquired shares shall be deemed included in the term "Shares" as used herein.

10. This Shareholder Agreement is to be governed by the laws of the State of Connecticut, without giving effect to the principles of conflicts of laws thereof. If any provision hereof is deemed unenforceable, the enforceability of the other provisions hereof shall not be affected.

11. This Shareholder Agreement will terminate upon mutual consent of the parties to this Shareholder Agreement or upon the earliest to occur of (i) the termination of the Merger Agreement by mutual consent of Liberty and SSE effected in accordance with the terms thereof, (ii) the passage of eighteen (18) months after termination of the Merger Agreement (iii) the payment in full by SSE of all applicable SSE Termination Fees and Costs (as defined in the Merger Agreement), (iv) the termination of the Merger Agreement effected in accordance with the terms thereof by SSE by reason of any action or failure to act of Liberty or (v) the termination of the Merger Agreement effected in accordance with the terms thereof by Liberty by reason of any action or failure to act of SSE not resulting from SSE's willful conduct or gross negligence, provided that no Termination Fees or Costs pursuant to the Merger Agreement are payable.

Please confirm our agreement with you by signing a copy of this Shareholder Agreement.

Very truly yours,

Confirmed and Agreed:

LIBERTY BANK

By: _____

Share Certificate or Option Agreement Number	Number of Shares	Number of Options
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

January 16, 2013

Board of Directors
Southern Connecticut Bancorp, Inc.
215 Church Street
New Haven, CT 06510

Members of the Board of Directors:

Southern Connecticut Bancorp, Inc. (“SSE”) and Liberty Bank (“Liberty”) have entered into an Agreement and Plan of Merger dated January 16, 2013 (the “Agreement”) pursuant to which SSE will be merged with Liberty in a transaction (the “Merger”) in which each outstanding share of SSE’s common stock, par value \$0.01, (the “SSE Shares”), shall be cancelled, shall cease to exist and shall no longer be outstanding and shall be converted into the right to receive an amount of cash equal to \$3.76 per share (the “Consideration”) payable upon surrender of the certificate that formerly evidenced such SSE Shares.

You have requested our opinion as to the fairness, from a financial point of view, of the Consideration to the holders of the SSE Shares.

In arriving at our opinion, we have, among other things:

1. Reviewed the Agreement dated January 16, 2013;
2. Reviewed certain publicly-available financial and business information of SSE, Liberty and their affiliates which we deemed to be relevant;
3. Reviewed certain information, including financial forecasts, relating to the business, earnings, cash flow, assets, liabilities, liquidity and prospects of SSE and Liberty;
4. Reviewed materials detailing the Merger prepared by SSE, Liberty and their affiliates and by their legal and accounting advisors;
5. Conducted conversations with members of senior management and representatives of both SSE and Liberty regarding the matters described in clauses 1-4 above, as well as their respective businesses and prospects before and after giving effect to the Merger;
6. Compared certain financial metrics of SSE and Liberty to other selected banks and thrifts that we deemed to be relevant;
7. Analyzed the terms of the Merger relative to selected prior mergers and acquisitions involving a depository institution as the selling entity;
8. Analyzed the impact of the Merger on certain balance sheet and capital ratios of Liberty as of September 30, 2012;

Explanation of Responses:

January 16, 2013

Page 2

9. Analyzed the Consideration offered relative to SSE's book value and tangible book value as of September 30, 2012;
10. Analyzed the Consideration offered relative to SSE's stand-alone estimated earnings per share for the projected fiscal years ending December 31, 2013 and 2014;
11. Reviewed the overall environment for depository institutions in the United States; and
12. Conducted such other financial studies, analyses and investigations and took into account such other matters as we deemed appropriate for purposes of this opinion, including our assessment of general economic, market and monetary conditions.

In preparing our opinion, we assumed and relied upon, without independent verification, the accuracy and completeness of the information provided to us by SSE, Liberty and their affiliates for the purposes of this opinion. In addition, where appropriate, we relied upon publicly available information, without independent verification, that we believe to be reliable, accurate, and complete; however, we cannot guarantee the reliability, accuracy, or completeness of any such publicly available information. We were not engaged to express, and are not expressing, any opinion with respect to any other transactions or alternative proposed transactions, if any, between SSE and Liberty. With respect to the financial forecasts supplied to us, we have assumed with your consent that they were reasonably prepared and reflect the best currently available estimates and judgments of SSE as to future operating and financial performance of SSE and its affiliates. In addition, we have assumed that the Agreement is a valid, binding and enforceable agreement upon the parties and their affiliates and will not be terminated or breached by either party. We have also assumed that there have been no material changes in the assets, liabilities, financial condition, results of operations, business or prospects of SSE, Liberty and their affiliates since either (i) the date of the last financial statements made available to us and (ii) the date of the Agreement, and that no legal, political, economic, regulatory or other developments have occurred or will occur that will adversely affect these entities. We did not make an independent evaluation of the assets or liabilities of SSE, Liberty or their affiliates, including, but not limited to, any derivative or off-balance sheet assets or liabilities. We have relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by us. We have assumed that all required governmental, regulatory, shareholder and third party approvals have or will be received in a timely fashion and without any conditions or requirements that could adversely affect the Merger.

Our opinion is necessarily based on economic, market, and other conditions as existed on, and could be evaluated as of, and on the information made available to us as of, the date hereof. Events and developments occurring after the date hereof could materially affect the assumptions used in preparing this opinion and we do not have any obligation to update, revise or reaffirm this opinion.

January 16, 2013

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Sterne, Agee & Leach, Inc. (“Sterne Agee”) is acting as financial advisor to SSE in connection with the Merger and will receive fees from SSE for our services, a significant portion of which are contingent upon the consummation of the Merger. Sterne Agee also will receive a fee in connection with the delivery of this opinion. In addition, SSE has agreed to reimburse our expenses and to indemnify us against certain liabilities arising out of our engagement. Other than our engagement by SSE in connection with the Merger, we have not provided investment banking services to SSE, Liberty or their affiliates over the past two years; however, we may do so in the future. In the ordinary course of our business as a broker-dealer, we may, from time to time, purchase securities from and sell securities to SSE, Liberty or their affiliates.

This opinion is for the use and benefit of the Board of Directors of SSE. Our opinion is limited to the fairness, from a financial point of view to the holders of the SSE Shares of the Consideration and does not address the underlying business decision of SSE, or a recommendation whether or not, to engage in the Merger, or the relative merits of the Merger relative to any strategic alternative that may be available to SSE. In rendering this opinion, we express no view or opinion with respect to the fairness (financial or otherwise) of the amount or nature or any other aspect of any compensation payable to or to be received by any officers, directors, or employees of any of the parties to the Merger relative to the aggregate Consideration. The issuance of this opinion has been approved by the Fairness Opinion Committee of Sterne Agee.

Based on the foregoing and such other matters we have deemed relevant, it is our opinion, as of the date hereof, that the Consideration is fair from a financial point of view to the holders of the SSE Shares.

Very truly yours,

/s/ Sterne, Agee & Leach, Inc.

STERNE, AGEE & LEACH, INC.

Annex C

AMENDED AND RESTATED CHARTER
OF LIBERTY BANK
(A CONNECTICUT MUTUAL SAVINGS BANK)

As Amended and Restated April 19, 1999.

WHEREAS, John Hinsdale, Nehemiah Hubbard, Samuel Gill, George W. Stanley, Samuel Southmayd, William L. Storrs, Richard Rand, Charles Brewer, Epaphras Clark, Henry Woodward, Charles Dyer, Hezekiah L. Hosmer, Horace Clark, Edmund Laughs, Samuel Spaulding, Benjamin Williams, Ebenezer G. Southmayd, Cyrus Hurd, John O. Hayden, Luke C. Lyman, John L. Smith, Henry S. Ward, Heth F. Camp, Augustus Cook were the organizers of Liberty Bank f/k/a The Middletown Savings Bank (the "Corporation") pursuant to a Special Act of the General Assembly approved at the May Session of the General Assembly, 1825;

WHEREAS, the current Board of Directors and Corporate Members (the "Corporators") of the Corporation desire to amend and restate the Charter of the Corporation in its entirety as follows:

Section 1. The name of the Corporation is LIBERTY BANK.

Section 2. The principal office of the Corporation is located in the Town of Middletown, County of Middlesex and State of Connecticut.

Section 3. The nature of the business to be transacted, and the purposes to be promoted or carried out by the Corporation, are as follows:

To engage in any lawful act or activity for which mutual savings banks may operate under the laws of the State of Connecticut as the same may be amended from time to time.

The Corporation shall, similarly, have all the powers, rights, and authority conferred upon mutual savings banks under the laws of the State of Connecticut and necessary or appropriate to carry out/or promote its business activities.

Section 4. a. The business, property and affairs of the Corporation shall be managed by a Board of Directors of not less than seven (7) and not more than twenty (20) directors as fixed from time to time pursuant to the Corporation's Bylaws.

b. The Board of Directors shall be divided into five (5) classes, as nearly equal in number as possible. At each Annual Meeting of the Corporation, the successors to any class of Directors whose term shall then expire shall be elected by the Corporators to hold office for a term expiring at the Annual Meeting of the Corporation to be held in the fifth year following the year in which the Directors are elected. Each Director shall continue to hold office until their successor shall have been duly elected and qualified or until their term of office is terminated pursuant to the Bylaws of the Corporation. No decrease in the number of directorships shall shorten the term of any Director. The number of directorships may be increased in between Annual Meetings of the Corporation, up to the maximum number stated above, pursuant to the Bylaws of the Corporation. Any Directors added between Annual Meetings of the Corporation shall be assigned to a class of Directors so as to create a Board which has classes as nearly equal in number as possible.

Section 5. a. The Corporation shall have corporate members (the “Corporators”), the number of which shall not be less than forty (40). Corporators shall be elected at each Annual Meeting. Any individual who is a resident of the State of Connecticut shall be eligible for election as a Corporator.

b. The Corporators shall be divided into five (5) classes, as nearly equal in number as possible. At each Annual Meeting of the Corporation, the successors to any class of Corporators whose term shall then expire shall be elected by the Corporators to hold office for a term expiring at the Annual Meeting of the Corporation to be held in the fifth year following the year in which the Corporators are elected. Each Corporator shall continue to hold office until their successor shall have been duly elected and qualified or until their term of office is terminated pursuant to the Bylaws of the Corporation. No decrease in the number of Corporators shall shorten the term of any Corporator. The number of Corporators may be increased in between Annual Meetings of the Corporation, pursuant to the Bylaws of the Corporation. Any Corporators added between Annual Meetings of the Corporation shall be assigned to a class of Corporators so that the number of Corporators serving in each class shall be as nearly equal in number as possible.

Section 6. A meeting of the Corporators of the Corporation shall be held in the month of April, annually at such hour and at such place within the State of Connecticut as the Board of Directors may order, and at such other times as may be deemed expedient,

Section 7. The personal liability of any Director of this Corporation for monetary damages for breach of duty as a Director shall be limited, in accordance with Section 36a-97 of the Connecticut General Statutes, as it may be amended, to an amount that is equal to the compensation received by such Director for serving the Corporation during the year of the violation, if such breach did not: (a) involve a knowing and culpable violation of law by such Director, (b) enable such Director or an associate, as defined in Subdivision (3) of Section 33-1116 of the Connecticut General Statutes, to receive an improper personal economic gain, (c) show a lack of good faith and a conscious disregard for the duty of the Director to the Corporation under circumstances in which the Director was aware that his or her conduct or omission created an unjustifiable risk of serious injury to the Corporation, (d) constitute a sustained and unexcused pattern of inattention that amounted to an abdication of such Director’s duty to the Corporation, or (e) create liability under Section 36a-58 of the Connecticut General Statutes.

The above Amended and Restated Charter of Liberty Bank was adopted as follows:

(1) Directors on March 17, 1999
15 FOR 0 AGAINST 0 ABSTAIN

(2) Corporators on April 19, 1999
46 FOR 0 AGAINST 0 ABSTAIN

Certified this 20 day of April, 1999.

LIBERTY BANK

By: /s/ Suzanne S. Larson
Suzanne S. Larson

Its: Secretary

PLEASE MARK
VOTES
AS IN THIS
SAMPLE

REVOCABLE PROXY
SOUTHERN CONNECTICUT BANCORP,
INC.

PROXY SOLICITED ON BEHALF OF
BOARD OF
DIRECTORS FOR SPECIAL MEETING
OF
SHAREHOLDERS TO BE HELD MAY
15, 2013

The undersigned hereby appoints Alfred J. Ranieri, Jr., M.D. and Janette J. Parker as proxies for the undersigned with full powers of substitution to vote all shares of the Common Stock, par value \$0.01 (the "Common Stock"), of Southern Connecticut Bancorp, Inc. ("Bancorp") which the undersigned may be entitled to vote at the Special Meeting of Shareholders ("Special Meeting") of Bancorp to be held at The Quinnipiack Club, 221 Church Street, New Haven, Connecticut, at 10:00 A.M., on Wednesday, May 15, 2013 or any adjournment or postponement thereof as follows:

- | | | For | Against | Abstain |
|----|--|-----|---------|---------|
| 1. | Consider and vote upon a proposal to approve the Agreement and Plan of Merger, dated as of January 16, 2013, by and among LibertyBank and Southern Connecticut Bancorp, Inc. and The Bank of Southern Connecticut. | o | o | o |
| 2. | Consider and vote upon a proposal to approve, by non-binding advisory vote, certain compensation arrangements for Southern Connecticut Bancorp's named executive officers in connection with the merger. | o | o | o |
| 3. | Consider and vote upon a proposal to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the Agreement and Plan of Merger. | o | o | o |
| 4. | Transact such other business as may be properly presented at the special meeting and any adjournments or | | | |

postponements of the
special meeting.

The undersigned acknowledges receipt of
the Notice of the Special Meeting, the
Proxy Statement and Bancorp's Annual
Report on Form 10-K.

PLEASE CHECK BOX IF YOU PLAN TO ATTEND THE MEETING.

Please be sure to date and sign this proxy card in the box below. Date

Sign above Co-holder (if any) sign above
Please sign exactly as your name(s) appear(s) hereon. When signing
as attorney, executor, administrator, trustee, guardian or for a
corporation, please give your full title as such. If shares are owned
jointly, both owners should sign.

Detach above card, sign, date and mail in postage paid envelope provided.

SOUTHERN CONNECTICUT BANCORP,

INC.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE SHAREHOLDER. IF NO DIRECTION IS SPECIFIED, THIS PROXY WILL BE VOTED "FOR" THE APPROVAL OF THE AGREEMENT AND PLAN OF MERGER IN PROPOSAL 1, "FOR" THE APPROVAL OF CERTAIN COMPENSATION ARRANGEMENTS OF BANCORP'S NAMED EXECUTIVE OFFICERS IN CONNECTION WITH THE MERGER IN PROPOSAL 2, AND "FOR" THE ADJOURNMENT OF THE SPECIAL MEETING TO A LATER DATE OR DATES, IF NECESSARY, TO PERMIT FURTHER SOLICITATION OF PROXIES IN PROPOSAL 3.

PLEASE ACT PROMPTLY

SIGN, DATE & MAIL YOUR PROXY CARD TODAY

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

PROXY MATERIALS ARE
AVAILABLE ON-LINE AT:

<http://www.cfpproxy.com/5124>

5124