

BROOKLINE BANCORP INC  
Form DEF 14A  
March 11, 2005

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**Brookline Bancorp, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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March 15, 2005

Dear Stockholder:

We cordially invite you to attend the Annual Meeting of Stockholders of Brookline Bancorp, Inc. (the "Company"). The Annual Meeting will be held at the Brookline Holiday Inn, 1200 Beacon Street, Brookline, Massachusetts 02446, at 10:00 a.m. on April 21, 2005.

The enclosed Notice of the Annual Meeting and Proxy Statement describe the formal business to be transacted. During the Annual Meeting we will also report on the operations of the Company. Directors and officers of the Company will be present to respond to any questions that stockholders may have. Also enclosed for your review is our Annual Report to Stockholders, which contains detailed information concerning the activities and operating performance of the Company.

The business to be conducted at the Annual Meeting consists of the election of five directors to the Board of Directors of the Company, the approval of the Company's Annual Senior Executive Officer Incentive Compensation Plan and the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2005. For the reasons set forth in the Proxy Statement, the Board of Directors recommends a vote "FOR" the election of directors, "FOR" the approval of the Incentive Compensation Plan and "FOR" the ratification of the appointment of the Company's independent registered public accounting firm.

On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the meeting. Your vote is important, regardless of the number of shares that you own.

Sincerely,

Richard P. Chapman, Jr.  
President and Chief Executive Officer

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**Brookline Bancorp, Inc.**  
**160 Washington Street**  
**Brookline, Massachusetts 02445**  
**(617) 730-3500**

**NOTICE OF  
ANNUAL MEETING OF STOCKHOLDERS**

To Be Held On April 21, 2005

Notice is hereby given that the Annual Meeting of Brookline Bancorp, Inc. (the "Company") will be held at the Brookline Holiday Inn, 1200 Beacon Street, Brookline, Massachusetts 02446 at 10:00 a.m. on April 21, 2005.

A Proxy Card and a Proxy Statement for the Annual Meeting are enclosed.

The Annual Meeting is for the purpose of considering and acting upon:

1. the election of five directors to the Board of Directors;
2. the approval of the Company's Annual Senior Executive Officer Incentive Compensation Plan;
3. the ratification of the appointment of KPMG LLP as the independent registered public accounting firm for the Company for the year ending December 31, 2005; and

such other matters as may properly come before the Annual Meeting, or any adjournments thereof. The Board of Directors is not aware of any other business to come before the Annual Meeting.

Any action may be taken on the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which the Annual Meeting may be adjourned. Stockholders of record at the close of business on March 1, 2005 are the stockholders entitled to vote at the Annual Meeting and any adjournments thereof.

A list of stockholders entitled to vote at the Annual Meeting will be available at the Company's Main Office, 160 Washington Street, Brookline, Massachusetts 02445, for the 10 days immediately prior to the Annual Meeting. It also will be available for inspection at the meeting itself.

EACH STOCKHOLDER, WHETHER HE OR SHE PLANS TO ATTEND THE ANNUAL MEETING, IS REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD WITHOUT DELAY IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ANY PROXY GIVEN BY THE STOCKHOLDER MAY BE REVOKED AT ANY TIME BEFORE IT IS EXERCISED. A PROXY MAY BE REVOKED BY FILING WITH THE SECRETARY OF THE COMPANY A WRITTEN REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE. ANY STOCKHOLDER PRESENT AT THE ANNUAL MEETING MAY REVOKE HIS OR HER PROXY AND VOTE PERSONALLY ON EACH MATTER BROUGHT BEFORE THE ANNUAL MEETING. HOWEVER, IF YOU ARE A STOCKHOLDER WHOSE SHARES ARE NOT REGISTERED IN YOUR OWN NAME, YOU WILL NEED ADDITIONAL DOCUMENTATION FROM YOUR RECORD HOLDER IN ORDER FOR YOU TO VOTE PERSONALLY AT THE ANNUAL MEETING.

By Order of the Board of Directors

George C. Caner, Jr.  
Secretary

March 15, 2005

**IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**



**PROXY STATEMENT**

**Brookline Bancorp, Inc.  
160 Washington Street  
Brookline, Massachusetts 02445  
(617) 730-3500**

**ANNUAL MEETING OF STOCKHOLDERS**

April 21, 2005

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of Brookline Bancorp, Inc. (the "Company") to be used at the Annual Meeting of Stockholders of the Company (the "Annual Meeting"), which will be held at the Brookline Holiday Inn, 1200 Beacon Street, Brookline, Massachusetts 02446, on April 21, 2005, at 10:00 a.m., and all adjournments of the Annual Meeting. The accompanying Notice of Annual Meeting of Stockholders and this Proxy Statement are first being mailed to stockholders on or about March 15, 2005.

**REVOCATION OF PROXIES**

Stockholders who execute proxies in the form solicited hereby retain the right to revoke them in the manner described below. Unless so revoked, the shares represented by such proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies solicited on behalf of the Board of Directors of the Company will be voted in accordance with the directions given thereon. **Where no instructions are indicated, validly executed proxies will be voted "FOR" the proposals set forth in this Proxy Statement for consideration at the Annual Meeting.**

The Board of Directors knows of no additional matters that will be presented for consideration at the Annual Meeting. Execution of a proxy, however, confers on the designated proxy holders discretionary authority to vote the shares in accordance with their best judgment on such other business, if any, that may properly come before the Annual Meeting or any adjournments thereof.

Proxies may be revoked by sending written notice of revocation to the Secretary of the Company at the address shown above, delivering to the Company a duly executed proxy bearing a later date, or attending the Annual Meeting and voting in person. However, if you are a stockholder whose shares are not registered in your own name, you will need appropriate documentation from your record holder to vote personally at the Annual Meeting. The presence at the Annual Meeting of any stockholder who had returned a proxy shall not revoke such proxy unless the stockholder delivers his or her ballot in person at the Annual Meeting or delivers a written revocation to the Secretary of the Company prior to the voting of such proxy.

**VOTING SECURITIES AND VOTING PROCEDURES**

Holders of record of the Company's common stock, par value \$0.01 per share (the "Common Stock"), as of the close of business on March 1, 2005 (the "Record Date") are entitled to one vote for each share then held, except as described below. As of the Record Date, the Company had 62,996,235 shares issued and 61,660,936 shares outstanding. The presence in person or by proxy of a majority of the outstanding shares of Common Stock entitled to vote is necessary to constitute a quorum at the Annual Meeting. Broker non-votes and proxies marked ABSTAIN will be counted for purposes of determining that a quorum is present. In the event there are not sufficient votes for a quorum, or to approve or ratify any matter being presented at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit the further solicitation of proxies.

In accordance with the provisions of the Company's Certificate of Incorporation, recordholders of Common Stock who beneficially own in excess of 10% of the outstanding shares of Common Stock (the "Limit") are not entitled to any vote with respect to the shares held in excess of the Limit. The Company's Certificate of Incorporation authorizes the Board of Directors (i) to make all determinations necessary to implement and apply the Limit, including determining whether persons or entities are acting in concert, and (ii) to demand that any person who is reasonably believed to

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beneficially own stock in excess of the Limit supply information to the Company to enable the Board of Directors to implement and apply the Limit.

As to the election of directors, the proxy card being provided by the Board of Directors enables a stockholder to vote FOR the election of the five nominees proposed by the Board of Directors or to WITHHOLD AUTHORITY to vote for the nominees being proposed. Directors are elected by a plurality of votes cast, without regard to either broker non-votes or proxies as to which the authority to vote for the nominees being proposed is withheld.

As to the approval of the Company's Annual Senior Executive Officer Incentive Compensation Plan, the proxy card being provided by the Board of Directors enables a stockholder to: (i) vote FOR the proposal; (ii) vote AGAINST the proposal; or (iii) ABSTAIN from voting on the proposal. The approval of the Incentive Compensation Plan must be approved by the affirmative vote of a majority of the votes cast without regard to broker non-votes or proxies marked ABSTAIN.

As to the ratification of the independent registered public accounting firm, the proxy card being provided by the Board of Directors enables a stockholder to: (i) vote FOR the proposal; (ii) vote AGAINST the proposal; or (iii) ABSTAIN from voting on the proposal. The ratification of the independent registered public accounting firm must be approved by the affirmative vote of a majority of the votes cast without regard to broker non-votes or proxies marked ABSTAIN.

Proxies solicited hereby will be returned to the Company and will be tabulated by an Inspector of Election designated by the Company's Board of Directors.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Persons and groups who beneficially own in excess of five percent of the Common Stock are required to file certain reports with the Securities and Exchange Commission (the "SEC") regarding such ownership. The following table sets forth, as of the Record Date, the shares of Common Stock beneficially owned by each person who was the beneficial owner of more than five percent of the Company's outstanding shares of Common Stock, including shares owned by its directors and executive officers.

| Name and Address of Beneficial Owners   | Amount of Shares Owned and Nature of Beneficial Ownership(1) | Percent of Shares of Common Stock Outstanding |
|---|--|---|
| All Directors and Executive Officers as a Group (18 persons)                                    | 5,681,878  | 8.8%(2)                                       |
| <b>Principal Stockholders:</b>  |  |   |
| Mac-Per-Wolf Company(3)<br>310 South Michigan Avenue<br>Suite 2600<br>Chicago, Illinois 60604   | 5,406,091  | 8.4   |
| Advisory Research, Inc.(4)<br>180 North Stetson Street<br>Suite 5780<br>Chicago, Illinois 60601 | 3,748,819  | 5.8   |
| Third Avenue Management LLC(5)<br>622 Third Avenue, 32nd Floor<br>New York, New York 10017-6715 | 4,109,247  | 6.4   |
| Private Capital Management, L.P.(6)<br>8889 Pelican Bay Blvd.<br>Naples, Florida 34108          | 3,571,393  | 5.5   |

(Footnotes on following page)





- (1) A person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if he has shared voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from the Record Date. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares. Includes all shares held directly as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting and investment power.
- (2) Calculated by dividing the number of shares in the second column of this table by the total shares of common stock outstanding at the Record Date (61,660,936 shares) plus 2,900,908 shares representing the total number of shares that may be acquired pursuant to the exercise of stock options within 60 days of the Record Date.
- (3) Based exclusively on a Schedule 13G/A filed by Mac-Per-Wolf Company on January 31, 2005.
- (4) Based exclusively on a Schedule 13G filed by Advisory Research, Inc. on February 15, 2005.
- (5) Based exclusively on a Schedule 13G/A filed by Third Avenue Management LLC on February 16, 2005.
- (6) Based exclusively on a Schedule 13G/A filed by Private Capital Management, L.P. on February 14, 2005.

#### **PROPOSAL 1 ELECTION OF DIRECTORS**

The Company's Board of Directors currently is composed of 15 members. The Company's bylaws provide that approximately one-third of the Directors are to be elected annually. Directors of the Company are generally elected to serve for a three-year period and until their respective successors shall have been elected and shall qualify. The Board of Directors has nominated to serve as directors, George C. Caner, Jr., Richard P. Chapman, Jr., John J. McGlynn, William V. Tripp, III and Peter O. Wilde, each of whom is currently a member of the Board of Directors and each of whom has been nominated to serve for a three-year period and until his or her successor has been elected and shall qualify.

The table below sets forth certain information regarding the composition of the Company's Board of Directors, including the terms of office of Board members. It is intended that the proxies solicited on behalf of the Board of Directors (other than proxies in which the vote is withheld as to one or more nominees) will be voted at the Annual Meeting for the election of the nominees identified below. If the nominee is unable to serve, the shares represented by all such proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why any of the nominees might be unable to serve, if elected. Except as indicated herein,

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there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected.

| Names and Address(1)  | Age | Positions Held   | Director Since(2) | Current Term to Expire | Shares of Common Stock Beneficially Owned on Record Date(3)(4)(5) | Percent of Class(6) |
|---|-----|--|-------------------|------------------------|---|---------------------|
| <b>NOMINEES</b>   |     |  |                   |                        |   |                     |
| George C. Caner, Jr.  | 79  | Secretary  | 1966              | 2005                   | 144,226   | *                   |
| Richard P. Chapman, Jr.   | 70  | Chairman, President and Chief Executive Officer              | 1972              | 2005                   | 1,676,564   | 2.6%                |
| John J. McGlynn   | 83  | Director   | 2005              | 2005                   | 35,258  | *                   |
| William V. Tripp, III   | 66  | Director   | 1975              | 2005                   | 176,553   | *                   |
| Peter O. Wilde  | 65  | Director   | 1993              | 2005                   | 169,343   | *                   |
| <b>DIRECTORS CONTINUING IN OFFICE</b>                           |     |  |                   |                        |   |                     |
| Oliver F. Ames  | 84  | Director   | 1973              | 2006                   | 293,386   | 0.5                 |
| Dennis S. Aronowitz   | 73  | Director   | 1991              | 2006                   | 131,567   | *                   |
| William G. Coughlin   | 72  | Director   | 1976              | 2006                   | 287,928   | 0.4                 |
| Charles H. Peck   | 64  | Executive Vice President                                     | 1995              | 2006                   | 856,161   | 1.3                 |
| Joseph J. Slotnik   | 68  | Director   | 1970              | 2006                   | 246,275   | 0.4                 |
| David C. Chapin   | 68  | Director   | 1989              | 2007                   | 171,525   | *                   |
| John L. Hall, II  | 65  | Director   | 1983              | 2007                   | 175,917   | *                   |
| Hollis W. Plimpton, Jr.   | 74  | Director   | 1974              | 2007                   | 58,272  | *                   |
| Rosamond B. Vaule   | 67  | Director   | 1989              | 2007                   | 181,423   | *                   |
| Franklin Wyman, Jr.   | 83  | Director   | 1974              | 2007                   | 408,370   | 0.6                 |
| <b>NAMED EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS</b>           |     |  |                   |                        |   |                     |
| Paul R. Bechet  | 62  | Senior Vice President, Chief Financial Officer and Treasurer | N/A               | N/A                    | 547,618   | 0.8                 |
| Cheryl B. Gorman  | 53  | Senior Vice President  | N/A               | N/A                    | 76,643  | *                   |
| David J. Pallin   | 65  | Senior Vice President  | N/A               | N/A                    | 44,849  | *                   |
| All Directors and Executive Officers as a Group<br>(18 persons) |     |  |                   |                        | 5,681,878(4)  | 8.8                 |

(1) The mailing address for each person listed is 160 Washington Street, Brookline, Massachusetts 02445.

(2) Except for Mr. McGlynn, reflects initial appointment to the Board of Trustees of the Company's mutual predecessor, Brookline Bank (the "Bank"). With the exception of Messrs. Aronowitz, Caner, Hall, Plimpton and Ms. Vaule, all directors of the Company serve as directors of the Bank.

(3) See definition of "beneficial ownership" in the table in "Security Ownership of Certain Beneficial Owners." The shares of common stock in this column include 2,722,705 shares in total and by individual the following shares which may be acquired by the persons indicated pursuant to the exercise of stock options within 60 days of the Record Date: Mr. Caner 69,674; Mr. Chapman 854,958; Mr. Tripp 99,609; Mr. Wilde 99,609; Mr. Ames 112,478; Mr. Aronowitz 65,595; Mr. Coughlin 91,105; Mr. Peck 456,587; Mr. Slotnik 127,478; Mr. Chapin 90,609; Mr. Hall 79,674; Mr. Plimpton 31,870; Ms. Vaule 79,674; Mr. Wyman 191,218; Mr. Bechet 232,567; Ms. Gorman 32,000; and Mr. Pallin 8,000.

(4)

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Includes 66,882 shares of Common Stock allocated to the accounts of executive officers under the ESOP and excludes the remaining 743,221 shares of Common Stock (representing 1.2% of the shares of Common Stock outstanding as of the Record Date) owned by the ESOP for the benefit of the

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employees of the Company and the Bank. Under the terms of the ESOP, shares of Common Stock allocated to the account of employees are voted in accordance with the instructions of the respective employees. Unallocated shares are voted by the ESOP trustee in the manner calculated to most accurately reflect the instructions it has received from the participants regarding the allocated shares, unless its fiduciary duties require otherwise.

(5)

Includes 578,453 shares of Common Stock awarded to directors and executive officers under the 2003 Recognition and Retention Plan (560,000 shares) and the 1999 Recognition and Retention Plan (18,453 shares) that vest on varying dates from April 19, 2005 through October 16, 2009. Included in that total are the following shares by individual: Mr. Caner 12,000; Mr. Chapman 162,000; Mr. Tripp 18,000; Mr. Wilde 15,600; Mr. Ames 24,000; Mr. Aronowitz 12,000; Mr. Coughlin 24,000; Mr. Peck 81,000; Mr. Slotnik 24,000; Mr. Chapin 14,400; Mr. Hall 12,000; Mr. Plimpton 6,000; Ms. Vaule 12,000; Mr. Wyman 33,000; Mr. Bechet 72,453; Ms. Gorman 32,000; and Mr. Pallin 24,000.

(6)

Percent of Class is calculated by dividing the number of shares in the sixth column of this table by the total shares of Common Stock outstanding at the Record Date (61,660,936 shares) plus 2,900,908 shares representing the total number of shares which may be acquired pursuant to the exercise of stock options within 60 days of the Record Date.

\*

Less than three-tenths of 1%.

The principal occupation during the past five years of each director and executive officer of the Company is set forth below. All directors and executive officers have held their present positions for five years unless otherwise stated.

**Oliver F. Ames** has served as a member of the Executive Committee of the Bank since 1974. Mr. Ames serves on the board of directors of a number of civic and charitable organizations. From 1962 through 1970, Mr. Ames served as a State Senator.

**Dennis S. Aronowitz**, an attorney, retired in 1996 from Boston University where he served on the faculty of the Law School since 1967 and was Director of the Banking Law Center and Graduate Banking Law programs. He also is a trustee of a number of John Hancock mutual funds.

**George C. Caner, Jr.** serves as the Secretary of the Company. Mr. Caner is an attorney at the law firm of Ropes & Gray, where he was a partner from 1965 through 1996. Mr. Caner currently is Of Counsel at the firm.

**David C. Chapin** is a Principal of Chapin Properties Team Ltd., a real estate investment, property appraisal and management company, and has served in that capacity since August 2004. From 1998 to August 2004, he was a Principal of T. H. Niles Real Estate Group, Inc., a real estate investment property appraisal and management company.

**Richard P. Chapman, Jr.** has served as President of the Bank from 1973 through April 2000 and Chairman and Chief Executive Officer since 1975. He has served as Chairman, President and Chief Executive Officer of the Company since its organization in 1998. Mr. Chapman is also a trustee of a number of John Hancock mutual funds and a trustee of Northeastern University.

**William G. Coughlin** became a member of the Executive Committee in 1997. Mr. Coughlin is a private investor in commercial real estate.

**John L. Hall, II** is President of Hall Properties, Inc., a real estate investment, management and development company, and has served in that capacity since 1989.

**John J. McGlynn** became a Director on January 7, 2005, the date the Company acquired Mystic Financial, Inc. ("Mystic"). Mr. McGlynn served as Chairman of the Board of Directors of Mystic and was a Director of its subsidiary bank, Medford Co-Operative Bank since 1966. From 1998 to 2003, he served as the Director of Special Projects for the Middlesex Sheriff's Department, which involved overseeing the establishment and operation of community counseling centers.

**Charles H. Peck** became President of the Bank in April 2000 and is an Executive Vice President of the Company. He has served as the Senior Loan Officer of the Bank since 1970.

**Hollis W. Plimpton, Jr.** is a retired priest who serves Sherrill House and is a priest emeritus for Grace Episcopal Church in Norwood, Massachusetts.

**Joseph J. Slotnik** has served as a member of the Executive Committee since 1974. Mr. Slotnik is a private investor and previously was managing partner of the Boston office of a brokerage and investment firm.

**William V. Tripp, III** is an attorney and partner at Choate Hall & Stewart, and has been with that firm since 2001. Previously, he was a partner at Holland & Knight, LLP and had been with that firm since 1968.

**Rosamond B. Vaule** is active in volunteer work for various educational and charitable organizations.

**Peter O. Wilde** became President of Tuftane Extrusion Technologies, Inc., a manufacturing company, in 1998. In 1997, he was Managing Director of Beckwith Bemis Incorporated, a coatings and finishing company. Previously, he was Vice President of Finance and Administration at Ran Demo, Inc., a materials technology company, and served in that position since 1991.

**Franklin Wyman, Jr.** became a member of the Executive Committee in 1979. He was designated lead independent director by the Board of Directors of the Company in January 2004. Mr. Wyman is Chairman of O'Connor, Wright, Wyman, Inc., a consulting firm providing advisory services in mergers and acquisitions, where he has been since 1984. He retired as a director of Fitchburg Gas & Electric Company in 1999 and retired as a director of Unital Corporation, an electric utility company in New Hampshire, in 2000.

#### ***Executive Officers of the Company Who Are Not Directors***

**Paul R. Bechet** became Executive Vice President of the Bank in 2004 and has served as the Chief Financial Officer of the Bank since June 1997. He also serves as Senior Vice President and Chief Financial Officer of the Company. He became Treasurer of the Bank and the Company in January 2002. Mr. Bechet is a certified public accountant who, prior to joining the Bank, was a partner at KPMG LLP since 1972. His primary areas of responsibility include financial reporting and risk management.

**Cheryl B. Gorman** is Senior Vice President of the Bank, a position she has held since April 2002. Her primary areas of responsibility include retail banking and marketing. Prior to joining the Bank, Ms. Gorman was with Compass Consulting Group, a firm she co-founded in 1986 that provides consulting services to financial institutions. Prior to 1986, she was Vice President in the retail banking group of Rhode Island Hospital Trust and held officer positions in Rhode Island at Columbus Bank and Citizens Bank.

**David J. Pallin** is Senior Vice President of the Bank, a position he has held since November 2002. His primary area of responsibility is indirect automobile lending. Prior to joining the Bank, Mr. Pallin was the Collection and Liquidation Overseer at Bankvest Capital Corporation since 2001, Vice President- Automotive Lease and Finance Sales and Marketing Manager at Chevy Chase Bank since 2000 and Senior Vice President and Head of Consumer Lending at USTrust since 1994.

## **Board Independence**

The Board of Directors has determined that, except as to Messrs. Chapman and Peck, each member of the Board of Directors is an "independent director" within the meaning of the Nasdaq corporate governance listing standards. Messrs. Chapman and Peck are not considered independent because they are executive officers of the Company.

## **Ownership Reports by Officers and Directors**

The Common Stock of the Company is registered with the SEC pursuant to Section 12(g) of the Securities Exchange Act of 1934 (the "Exchange Act"). The officers and directors of the Company and beneficial owners of greater than 10% of the Company's Common Stock ("10% beneficial owners") are required to file reports on Forms 3, 4 and 5 with the SEC disclosing beneficial ownership and changes in beneficial ownership of the Common Stock. SEC rules require disclosure in the Company's Proxy Statement or Annual Report on Form 10-K of the failure of an officer, director or 10% beneficial owner of the Company's Common Stock to file a Form 3, 4 or 5 on a timely basis. All of the Company's officers and directors filed these reports on a timely basis in 2004, except for the reporting on May 19, 2004 of the exercise of 20,226 options by Mr. Peck on May 11, 2004.

## **Meetings and Committees of the Board of Directors**

The business of the Boards of Directors of the Company and the Bank is conducted through meetings and activities of the Boards and their committees. The Board of the Company has the following committees: Audit Committee, CRA Committee, Compensation Committee, Executive Committee and Nominating Committee. The Board of the Bank has the following committees: Audit Committee, Compensation Committee, Executive Committee, Loan Committee, Nominating Committee and Watch Committee.

During the year ended December 31, 2004, the Board of Directors of the Company held six meetings and the Board of Directors of the Bank held 14 meetings. During the year ended December 31, 2004, no director attended fewer than 75% of the total meetings of the Boards of Directors and committees on which such director served.

The CRA Committee consists of directors Ames, Aronowitz, Vaule and Wilde. The Committee met quarterly during the year ended December 31, 2004 to review the status of the Bank's CRA program and any reports issued by regulators resulting from their examination of the Bank's compliance with CRA regulations.

The Compensation Committee of the Company and the Bank consists of directors Ames, Slotnik, Tripp and Wyman. The Committee met twice during the year ended December 31, 2004 to review executive compensation and employment contracts. It recommends the compensation to be paid to the Company's three highest paid officers, reviews the parameters that must be met for bonuses to be paid to those officers and approves the actual amounts of bonuses paid. Each member of the Compensation Committee is considered "independent" as defined in the Nasdaq corporate governance listing standards. The report of the Compensation Committee is included elsewhere in this proxy statement.

The Executive Committee consists of directors Ames, Chapman, Coughlin, Slotnik and Wyman. The Committee met 16 times during the year ended December 31, 2004 to exercise general control and supervision of all matters pertaining to the interests of the Company and the Bank, subject at all times to the direction of the Board of Directors.

The Loan Committee consists of directors Chapman, Coughlin and Wyman. The Committee generally meets bi-weekly to review and approve all loan requests over \$1,000,000.

The Watch Committee consists of directors Chapman and Slotnik. The Committee met quarterly during the year ended December 31, 2004 to review the status of the loan portfolio and OREO properties, the classification of loans and the adequacy of the allowance for losses on loans and OREO.

#### **The Nominating Committee**

The Nominating Committee of the Company and the Bank consists of directors Coughlin, Wilde and Wyman. Each member of the Nominating Committee is considered "independent" as defined in the Nasdaq corporate governance listing standards. The Company's Board of Directors has adopted a written charter for the Committee, which is available at the Company's website at [www.brooklinebank.com](http://www.brooklinebank.com). The Committee met three times during the year ended December 31, 2004.

The functions of the Nominating Committee include the following:

to lead the search for individuals qualified to become members of the Board and to select director nominees to be presented for stockholder approval;

to review and monitor compliance with the requirements for board independence; and

to review the committee structure and make recommendations to the Board regarding committee membership.

The Nominating Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board with skills and experience that are relevant to the Company's business and who are willing to continue in service are first considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service, or if the Committee or the Board decides not to re-nominate a member for re-election, or if the size of the Board is increased, the Committee would solicit suggestions for director candidates from all Board members. In addition, the Committee is authorized by its charter to engage a third party to assist in the identification of director nominees. The Nominating Committee would seek to identify a candidate who at a minimum satisfies the following criteria:

has personal and professional ethics and integrity and whose values are compatible with the Company's;

has had experiences and achievements that have given him or her the ability to exercise and develop good business judgment;

is willing to devote the necessary time to the work of the Board and its committees, which includes being available for Board and committee meetings;

is familiar with the communities in which the Company operates and/or is actively engaged in community activities;

is involved in other activities or interests that do not create a conflict with his or her responsibilities to the Company and its stockholders; and

has the capacity and desire to represent the balanced, best interests of the stockholders of the Company as a group, and not primarily a special interest group or constituency.

The Nominating Committee will also take into account whether a candidate satisfies the criteria for "independence" under the Nasdaq corporate governance listing standards and, if a nominee is sought for service on the Audit Committee, the financial and accounting expertise of a candidate, including whether an individual qualifies as an audit committee financial expert.





### **Procedures for the Nomination of Directors by Shareholders**

The Nominating Committee has adopted procedures for the submission of director nominees by stockholders. If a determination is made that an additional candidate is needed for the Board of Directors, the Nominating Committee will consider candidates submitted by the Company's stockholders. Stockholders can submit the names of qualified candidates for Director by writing to our Corporate Secretary, at 160 Washington Street, Brookline, Massachusetts 02445. The Corporate Secretary must receive a submission not less than ninety (90) days prior to the date of the Company's proxy materials for the preceding year's annual meeting. The submission must include the following information:

the name and address of the stockholder as he or she appears on the Company's books, and number of shares of the Company's common stock that are owned beneficially by such stockholder (if the stockholder is not a holder of record, appropriate evidence of the stockholder's ownership will be required);

the name, address and contact information for the candidate, and the number of shares of common stock of the Company that are owned by the candidate (if the candidate is not a holder of record, appropriate evidence of the stockholder's ownership should be provided);

a statement of the candidate's business and educational experience;

such other information regarding the candidate as would be required to be included in the proxy statement pursuant to SEC Regulation 14A;

a statement detailing any relationship between the candidate and the Company;

a statement detailing any relationship between the candidate and any customer, supplier or competitor of the Company;

detailed information about any relationship or understanding between the proposing stockholder and the candidate; and

a statement that the candidate is willing to be considered and willing to serve as a Director if nominated and elected.

A nomination submitted by a stockholder for presentation by the stockholder at an annual meeting of stockholders must comply with the procedural and informational requirements described in "Other Matters and Advance Notice Procedures."

### **Stockholder Communications with the Board**

A stockholder of the Company who wishes to communicate with the Board of Directors or with any individual Director can write to the Corporate Secretary of the Company, at 160 Washington Street, Brookline, Massachusetts 02445, Attention: Board Administration. The letter should indicate that the author is a stockholder and if shares are not held of record, should include appropriate evidence of stock ownership. Depending on the subject matter, management will:

forward the communication to the Director or Directors to whom it is addressed;

attempt to handle the inquiry directly, for example where it is a request for information about the Company or it is a stock-related matter; or

not forward the communication if it is primarily commercial in nature, relates to an improper or irrelevant topic, or is unduly hostile, threatening, illegal or otherwise inappropriate.

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At each Board meeting, management will present a summary of all communications received since the last meeting that were not forwarded and make those communications available to the Directors.

### Code of Ethics

The Company has adopted a Code of Ethics that is applicable to the officers, directors and employees of the Company, including the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. The Code of Ethics is available on the Company's website at [www.brooklinebank.com](http://www.brooklinebank.com). Amendments to and waivers from the Code of Ethics will also be disclosed on the Company's website.

### The Audit Committee

The Audit Committee of the Company consists of directors Chapin, Tripp and Wilde. Each member of the Audit Committee is considered "independent" as defined in the Nasdaq corporate governance listing standards and under SEC Rule 10A-3. The Board of Directors has determined that Mr. Wilde qualifies as an "audit committee financial expert" as that term is used in the rules and regulations of the SEC, primarily through:

his experience serving on the Company's Audit Committee for over ten years, including the seven years that the Company has been a publicly-owned stock company;

his educational background which includes an MBA from the Harvard University Graduate School of Business Administration; and

his experience in serving in managerial positions, including chief financial officer, at non-public companies.

The Committee reviews the contents of and conclusions in audit reports prepared by the internal auditor and the Company's independent registered public accounting firm, reviews and approves the annual engagement of the Company's independent registered public accounting firm, the Company's audit policy, the internal audit function and the plan of audit coverage, and reviews with management and the Company's independent registered public accounting firm, the Company's financial statements and internal controls. The Audit Committee of the Company met eight times during the year ended December 31, 2004. The Company's Board of Directors has adopted a written charter for the Audit Committee of the Company. The charter is available at the Company's website at [www.brooklinebank.com](http://www.brooklinebank.com).

### Audit Committee Report

In accordance with rules established by the SEC, the Audit Committee of the Company has prepared the following report for inclusion in this proxy statement:

As part of its ongoing activities, the Audit Committee has:

reviewed and discussed with management and the independent registered public accounting firm the Company's audited consolidated financial statements for the year ended December 31, 2004 and the audit of management's assessment of the effectiveness of internal control over financial reporting;

discussed with the independent registered public accounting firm of the Company the matters required to be discussed by Statement on Auditing Standards No. 61, *Communications with Audit Committees*, as amended; and

received the written disclosures and the letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with the independent registered public accounting firm their independence.

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Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements and management's report on internal control over financial reporting be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2004. In addition, the Audit Committee recommended that the Board of Directors appoint KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2005, subject to the ratification of this appointment by the stockholders.

This report shall not be deemed incorporated by reference by any general statement incorporating by reference this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such Acts.

This report has been provided by the Audit Committee:

David C. Chapin  
William V. Tripp, III  
Peter O. Wilde

**Performance Graph**

Set forth hereunder is a performance graph comparing (a) the total return on the Common Stock for the period beginning on December 31, 1999 through December 31, 2004, (b) the cumulative total return on stocks included in the Russell 2000 Index over such period, (c) the cumulative total return on stocks included in the SNL New England Thrift Index over such period, and (d) the cumulative total return on stocks included in the SNL \$1 billion to \$5 billion Thrift Index over such period.

The cumulative total return on the Common Stock was computed assuming the reinvestment of cash dividends during the period.

**Brookline Bancorp, Inc.**

**Total Return Performance**

| Index                        | Period Ended |          |          |          |          |          |
|------------------------------|--------------|----------|----------|----------|----------|----------|
|                              | 12/31/99     | 12/31/00 | 12/31/01 | 12/31/02 | 12/31/03 | 12/31/04 |
| Brookline Bancorp, Inc.      | 100.00       | 120.72   | 178.01   | 290.75   | 389.10   | 434.69   |
| Russell 2000                 | 100.00       | 96.98    | 99.39    | 79.03    | 116.38   | 137.71   |
| SNL New England Thrift Index | 100.00       | 122.57   | 148.51   | 191.41   | 274.72   | 358.81   |
| SNL \$1B-\$5B Thrift Index   | 100.00       | 120.87   | 172.33   | 220.68   | 330.98   | 375.11   |

There can be no assurance that the Common Stock's performance will continue in the future with the same or similar trend depicted in the graph. The Company will not make or endorse any predictions as to future stock performance.

**Compensation Committee Interlocks and Insider Participation**

The full Board of Directors of the Company approves the salaries to be paid each year to the three highest paid officers of the Company, based on the recommendations of the Compensation Committee. Richard P. Chapman, Jr. and Charles H. Peck are directors of the Company in addition to being executive officers of the Company and of the Bank. Messrs. Chapman and Peck do not participate in the Board of Directors' determination of compensation for their respective offices.

**Report of the Compensation Committee of the Board of Directors on Executive Compensation**

Under rules established by the SEC, the Company is required to provide certain data and information regarding compensation and benefits provided to its Chief Executive Officer and other executive officers. The disclosure requirements for the Chief Executive Officer and other executive officers include a report explaining the rationale and considerations that led to fundamental executive compensation decisions affecting those individuals. In fulfillment of this requirement, the Compensation Committee of the Board of Directors has prepared the following report for inclusion in this proxy statement.

The Committee annually reviews the performance of the Chief Executive Officer and other executive officers and approves changes to base compensation as well as the level of bonus, if any, to be awarded. In determining whether the employment agreements of the Chief Executive Officer and other executive officers should be extended, the Committee took into account the individual performance of each executive officer and the performance of the Company under the direction of the executive officers. Other factors considered by the Committee in 2004 included each executive officer's general managerial oversight of the Company, the quality of communications with the Board of Directors, and the Company's record of compliance with regulatory requirements.

While the Committee does not use strict numerical formulas to determine changes in compensation for the Chief Executive Officer and other executive officers, and while it weighs a variety of different factors in its deliberations, it has emphasized and expects to continue to emphasize the profitability and scope of the Company's operations, the experience, expertise and management skills of the executive officers and their roles in the future success of the Company, as well as compensation surveys prepared by banking associations and professional firms to determine compensation paid to executives performing similar duties for similarly-sized financial institutions in the New England and Mid-Atlantic Regions. While each of the quantitative and non-quantitative factors described above was considered by the Committee, such factors were not assigned a specific weight in evaluating the performance of the Chief Executive Officer and other executive officers. Rather, all factors were considered.

The amount of bonus payments to an executive officer is based on the performance of the Company as measured against certain quantitative thresholds. Specifically, bonus payments are based on the Company's level of net operating income and non-performing assets. In 2004, the Committee, after taking into account the foregoing quantitative criteria and other factors, established the bonus payments for the executive officers.

With respect to Richard P. Chapman, Jr., the Chief Executive Officer, the Committee recommended to the full Board of Directors a \$20,000 increase in base salary to \$480,000 in 2004. Mr. Chapman's annual bonus was reduced by \$5,100 to \$129,312 for 2004.

This report has been provided by the Compensation Committee:

Oliver F. Ames  
William V. Tripp, III

Joseph J. Slotnik  
Franklin Wyman, Jr.

**Directors' Compensation**

Executive officers of the Company and the Bank receive no fees for service on the Board of Directors of the Company and the Bank or on any committees of the Boards. Directors of the Company receive an annual retainer of \$2,000 and directors of the Bank receive an annual retainer of \$5,000. Directors of the Company receive fees of \$750 for each meeting attended except for the Secretary of the Company who receives \$900 for each meeting. No additional fees are paid to directors who also attend meetings of the Bank held on the same day as meetings of the Company.

Members of the Audit Committee and the CRA Committee receive fees of \$750 for each meeting attended. The Chairman of the Audit Committee receives an additional annual retainer of \$2,000. Members of the Executive Committee of the Bank receive an annual retainer of \$5,000 plus fees of \$750 for each meeting attended. The Vice Chairman of the Committee receives an additional retainer of \$4,000. Members of the Loan Committee of the Bank receive fees of \$750 for each meeting attended. The outside director on the Watch Committee receives an annual retainer of \$5,000 and an additional \$2,000 for serving as Chairman of the Committee. Commencing in 2005, members of the Compensation Committee receive fees of \$750 for each meeting attended and the Chairman of the Compensation Committee receives an additional annual retainer of \$1,000.

**Executive Compensation**

The following table sets forth the cash compensation paid and bonuses accrued as well as certain other compensation paid or accrued for services rendered in all capacities during the years ended December 31, 2004, 2003 and 2002 to the Chief Executive Officer of the Company and the four other

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executive officers of the Company who received total annual compensation in excess of \$100,000 ("Named Executive Officers").

| Name and Principal Position   | Year Ended 12/31 | Annual Compensation |            |                                 | Long-term Compensation     |                  | All Other Compensation(4) |              |
|---|------------------|---------------------|------------|---------------------------------|----------------------------|------------------|---------------------------|--------------|
|   |                  | Salary              | Bonus      | Other Annual Compensation(1)(2) | Awards                     |                  |                           | Payout       |
|   |                  |                     |            |                                 | Restricted Stock Awards(3) | Options/SARS (#) |                           | LTIP Payouts |
| Richard P. Chapman, Jr. Chairman, President and Chief Executive Officer     | 2004             | \$ 480,000          | \$ 129,312 | \$ 31,024                       | \$                         |                  | \$ 33,440                 |              |
|   | 2003             | 460,000             | 134,412    | 29,435                          | 4,041,630                  | 300,000          | 38,273                    |              |
|   | 2002             | 440,000             | 132,000    | 27,966                          |                            |                  | 31,482                    |              |
| Charles H. Peck, Executive Vice President                                   | 2004             | 220,000             | 49,390     | 29,816                          |                            |                  | 33,440                    |              |
|   | 2003             | 215,000             | 52,353     | 27,495                          | 2,020,815                  | 175,000          | 38,273                    |              |
|   | 2002             | 208,000             | 52,000     | 25,295                          |                            |                  | 31,482                    |              |
| Paul R. Bechet Senior Vice President, Chief Financial Officer and Treasurer | 2004             | 190,000             | 52,655     | 24,901                          |                            |                  | 33,440                    |              |
|   | 2003             | 180,000             | 43,830     | 24,229                          | 1,347,210                  | 115,000          | 38,273                    |              |
|   | 2002             | 170,000             | 42,500     | 22,724                          |                            |                  | 31,482                    |              |
| Cheryl B. Gorman Senior Vice President                                      | 2004             | 143,000             | 32,104     | 18,584                          |                            |                  | 28,886                    |              |
|   | 2003             | 140,000             | 34,090     | 16,820                          | 598,760                    | 60,000           | 13,392                    |              |
|   | 2002             | 96,566              | 25,138     | 8,661                           |                            |                  |                           |              |
| David J. Pallin Senior Vice President                                       | 2004             | 140,000             | 17,500     | 26,004                          |                            |                  | 28,185                    |              |
|   | 2003             | 135,000             | 32,822     | 16,452                          | 449,070                    | 40,000           |                           |              |
|   | 2002             | 27,736              |            | 1,917                           |                            |                  |                           |              |

- (1) The Company also provides certain members of senior management with the use of an automobile, club membership dues and certain other personal benefits, the aggregate value of which did not exceed the lesser of \$50,000 or 10% of the total annual salary and bonus reported for each officer.
- (2) Includes premiums paid for group term life insurance and medical and dental insurance coverage, and contributions under the Bank's defined contribution plan.
- (3) The following number of shares of Common Stock were awarded under the 2003 Recognition and Retention Plan on October 16, 2003 to: Mr. Chapman 270,000; Mr. Peck 135,000; Mr. Bechet 90,000; Ms. Gorman 40,000 and Mr. Pallin 30,000. The market value per share was \$14.969. The shares awarded to Mr. Chapman, Mr. Peck and Mr. Bechet vest as follows: 25.0% on January 2, 2004 and 15.0% each on January 2, 2005, 2006, 2007, 2008 and 2009. The shares awarded to Ms. Gorman and Mr. Pallin vest as follows: 20% on October 16, 2004 and 16.0% each on October 16, 2005, 2006, 2007, 2008 and 2009. Dividends are paid on all shares awarded.
- (4) Represents the market value of shares allocated to officers' accounts pursuant to the Employee Stock Ownership Plan as of the allocation dates.

**Employment and Severance Agreements**



**Employment Agreements.** The Bank has entered into substantially identical employment agreements with Messrs. Chapman and Peck. Each of the agreements has a term of 36 months. On each anniversary date, the agreement may be extended for an additional twelve months so that the remaining term shall be 36 months. If the agreement is not renewed, the agreement will expire 36 months following the anniversary date. Under the agreements, the current Base Salaries for Messrs. Chapman and Peck are \$500,000 and \$227,500, respectively. The Base Salary may be increased but not decreased. In addition to the Base Salary, the agreement provides for, among other things, participation in retirement plans and other employee and fringe benefits applicable to executive

personnel. The agreement provides for termination by the Bank for cause at any time. In the event the Bank terminates the executive's employment for reasons other than for cause, or in the event of the executive's resignation from the Bank (such resignation to occur within the period or periods set forth in the employment agreement) upon (i) failure to re-elect the executive to his current offices, (ii) a material change in the executive's functions, duties or responsibilities, or relocation of his principal place of employment by more than 30 miles, (iii) liquidation or dissolution of the Bank, (iv) a breach of the agreement by the Bank, or (v) following a change in control of the Bank or the Company, the executive, or in the event of death, his beneficiary, would be entitled to severance pay in an amount equal to three times the Base Salary and the highest bonus paid during any of the last three years. Messrs. Chapman and Peck would receive an aggregate of approximately \$2,719,000 pursuant to their employment agreements upon a change in control of the Bank or the Company, based upon current levels of compensation. The Bank also would continue the executive's life, health, dental and disability coverage for 36 months from the date of termination. In the event the payments to the executive include an "excess parachute payment" as defined by Code Section 280G (relating to payments made in connection with a change in control), the payments would be reduced in order to avoid having an excess parachute payment.

Under the agreement, the executive's employment may be terminated upon his retirement in accordance with any retirement policy established on behalf of the executive and with his consent. Upon the executive's retirement, he will be entitled to all benefits available to him under any retirement or other benefit plan maintained by the Bank. In the event of the executive's disability for a period of six months, the Bank may terminate the agreement provided that the Bank will be obligated to pay him his Base Salary for the remaining term of the agreement or one year, whichever is longer, reduced by any benefits paid to the executive pursuant to any disability insurance policy or similar arrangement maintained by the Bank. In the event of the executive's death, the Bank will pay his Base Salary to his named beneficiaries for one year following his death, and will also continue medical, dental and other benefits to his family for one year. The employment agreement provides that, following his termination of employment, the executive will not compete with the Bank for a period of one year.

**Severance Agreements.** The Bank has entered into severance agreements (the "Severance Agreements") with eight other officers of the Bank, including Mr. Bechet, Ms. Gorman and Mr. Pallin, which provide certain benefits in the event of a change in control of the Bank or the Company. Each of the Severance Agreements is for a term of one year. Commencing on each anniversary date, the Board of Directors may extend any Severance Agreement for an additional year. The Severance Agreements enable the Bank to offer to designated officers certain protections against termination without cause in the event of a "change in control." For these purposes, a "change in control" is defined generally to mean: (i) consummation of a plan of reorganization, merger or sale of substantially all of the assets of the Bank or the Company where the Bank or the Company is not the surviving entity; (ii) changes to the Board of Directors of the Bank or the Company whereby individuals who constitute the current Board cease to constitute a majority of the Board, subject to certain exceptions; (iii) a "change in control" as defined by the BHCA, in effect on the date of the Severance Agreement; (iv) a transaction or occurrence whereby any person becomes the beneficial owner of 25% or more of the voting securities of the Company; and (v) a tender offer is made for 25% or more of the voting securities of the Company and 25% or more of the stockholders have tendered their shares. These protections against termination without cause in the event of a change in control are frequently offered by other financial institutions, and the Bank may be at a competitive disadvantage in attracting and retaining key employees if it does not offer similar protections. Although the Severance Agreements may have the effect of making a takeover more expensive to an acquiror, the Bank believes that the benefits of enhancing the Bank's ability to attract and retain qualified management persons by offering the Severance Agreements outweighs any disadvantage of such agreements.

Following a change in control of the Company or the Bank, an officer is entitled to a payment under the Severance Agreement if the officer's employment is involuntarily terminated during the term of such agreement, other than for cause, as defined, or if the officer voluntarily terminates employment during the term of such agreement as the result of a demotion, loss of title, office or significant authority, reduction in his annual compensation or benefits, or relocation of the officer's principal place of employment by more than 50 miles from its location immediately prior to the change in control. In the event that an officer who is a party to a Severance Agreement is entitled to receive payments pursuant to the Severance Agreement, the officer will receive a cash payment up to a maximum of one times the average of the three preceding years' annual base salary and bonuses. Mr. Bechet, Ms. Gorman and Mr. Pallin would receive an aggregate of approximately \$555,000 and the remaining officers would receive an aggregate of approximately \$560,000, pursuant to their severance agreements upon a change in control of the Bank or the Company. In addition to the severance payment, each covered officer is entitled to receive life, health, dental and disability coverage for a period of up to 12 months from the date of termination. Notwithstanding any provision to the contrary in the Severance Agreement, payments under the Severance Agreements are limited so that they will not constitute an excess parachute payment under Section 280G of the Internal Revenue Code.

#### **Compensation of Officers and Directors through Benefit Plans**

**Medical, Dental, Life and Other Similar Employee Benefit Plans.** The Bank provides eligible employees (i.e., generally full-time employees and employees who work more than 20 hours per week) with group life (after three months of employment), accidental death and dismemberment, and long-term disability coverage. For its eligible employees, the Bank pays 80% of the monthly premiums for group health coverage and 50% of the monthly premiums for individual and family dental coverage. For Messrs. Chapman and Peck, the Bank pays 100% of such premiums. The Bank pays 100% of the monthly premiums for group life insurance coverage after the employee has completed one year of service. The Bank also sponsors a flexible benefits plan under which employees can pay their ratable share of health insurance premiums on a pre-tax basis, a medical expense reimbursement plan under which employees can defer their salary on a pre-tax basis to cover the costs of certain medical expenses not reimbursed through insurance or otherwise, and a dependent care plan under which employees can defer their salary on a pre-tax basis to cover qualified dependent care expenses.

**Supplemental Retirement Income Agreement.** The Bank has entered into non-qualified supplemental retirement income agreements ("SRIA") for the benefit of Messrs. Chapman and Peck that provide them with benefits generally equal to 70% of their average compensation for the three calendar years with the highest rate of compensation in the ten calendar year period prior to retirement, reduced by any distribution they are entitled to receive from the Bank's pension plan and one-half of any Social Security benefits.

Retirement benefits under the SRIA are generally payable as a monthly benefit or, at the election of the Bank, as a lump sum benefit. The monthly benefits are payable on early or normal retirement or disability and continue until the later of the executive's death or 15 years from Mr. Peck's retirement (20 years in the case of Mr. Chapman). Monthly benefits are provided for designated beneficiaries of participants who do not survive until retirement commencing on the date of death and ending on the earlier of (1) the date the executive would have attained his standard life expectancy or (2) 15 years from the date of death in the case of Mr. Peck (20 years in the case of the death of Mr. Chapman). Under the SRIAs, in the case of a change in control, the executive (or in the event of the executive's death, his beneficiary) is irrevocably entitled to elect a lump sum benefit equal to the actuarial equivalent of the monthly benefit to which the executive is entitled at such time. The SRIA is considered an unfunded plan for tax and ERISA purposes. For the year ended December 31, 2004, the Bank charged to expense under the SRIA \$172,722 and \$137,992 to Mr. Chapman and Mr. Peck, respectively. All obligations under the SRIA are payable from the general assets of the Bank.

**401(k) Plan.** The Bank maintains the Savings Banks Employees Retirement Association 401(k) Plan which is a qualified, tax-exempt profit sharing plan with a salary deferral feature under Section 401(k) of the Code (the "401(k) Plan"). All employees who have attained age 21 are eligible to participate.

Under the 401(k) Plan, participants are permitted to make salary reduction contributions equal to the lesser of 75% of compensation or \$13,000 in 2004 (as indexed annually). Those plan participants who are age 50 or older are permitted to make salary reduction contributions equal to the lesser of 75% of compensation or \$16,000 in 2004 (as indexed annually). For these purposes, "compensation" includes wages reported on federal income tax form W-2, but does not include compensation in excess of the Code Section 401(a)(17) limits (i.e., \$205,000). All employee contributions and earnings thereon are fully and immediately vested.

**Defined Contribution Plan.** The Bank has a defined contribution plan under which it provides annual contributions equal to 5% of each participant's compensation up to \$205,000. In order to be fully vested in the Bank's annual contribution, a participant must complete three years of service with the Bank or the Company in which he works 1,000 hours or more. A participant may withdraw salary reduction contributions in the event the participant suffers a financial hardship. The plan permits employees to direct the investment of their own accounts into various investment options.

Plan benefits will be paid to each participant in the form of a life annuity (or joint and survivor annuity if married) upon retirement or death unless an alternate form of distribution (lump sum or equal payments over a fixed period) is selected. If a participant terminates employment prior to retirement, his vested benefit will be held by the plan until the participant elects to receive his benefit from the plan. If a participant (and the participant's spouse, if married) elects to receive benefits after termination of employment prior to normal or early retirement age, benefits will be paid in a lump sum. Normal retirement age under the Plan is age 65. Early retirement age under the Plan is 59<sup>1/2</sup>.

**Employee Stock Ownership Plan and Trust.** The Bank has implemented an Employee Stock Ownership Plan (the "ESOP"). Employees with at least one year of employment in which they work 1,000 hours or more with the Bank and who have attained age 21 are eligible to participate. The ESOP has borrowed funds from the Company and used those funds to purchase shares of the Common Stock of the Company. Collateral for the loan is the Common Stock purchased by the ESOP. The loan will be repaid principally from the Bank's contributions to the ESOP over a maximum of 30 years. The interest rate for the loan is fixed at 8.50%. Shares purchased by the ESOP are held in a suspense account for allocation among participants as the loan is repaid.

Contributions to the ESOP and shares released from the suspense account in an amount proportional to the repayment of the ESOP loan are allocated among ESOP participants on the basis of compensation in the year of allocation. For the plan year ended December 31, 2004, 60,135 shares were released from the suspense account and allocated to employees. Benefits generally vest over a seven-year period. Benefits generally vest at the rate of 20% per year beginning in the third year of service until a participant is 100% vested after seven years or upon normal retirement (as defined in the ESOP), disability or death of the participant or a change in control (as defined in the ESOP). A participant who terminates employment for reasons other than death, retirement or disability prior to seven years of credited service will forfeit the nonvested portion of his benefits under the ESOP. Benefits will be payable in the form of Common Stock and cash upon death, retirement, early retirement, disability or separation from service. The Bank's contributions to the ESOP are discretionary, subject to the loan terms and tax law limits and, therefore, benefits payable under the ESOP cannot be estimated. The Bank is required to record compensation expense in an amount equal to the fair market value of the shares released from the suspense account.

The Bank's Board of Directors administers the ESOP. The Bank has appointed an independent financial institution to serve as trustee of the ESOP. The ESOP committee may instruct the trustee

regarding investment of funds contributed to the ESOP. The ESOP trustee, subject to its fiduciary duty, must vote all allocated shares held in the ESOP in accordance with the instructions of participating employees. Under the ESOP, nondirected shares and shares held in the suspense account will be voted in a manner calculated to most accurately reflect the instructions it has received from participants regarding the allocated stock so long as such vote is in accordance with the provisions of ERISA.

**Stock Benefit Plans**

The Board of Directors of the Company has adopted the 1999 Stock Option Plan, the 2003 Stock Option Plan, the 1999 Recognition and Retention Plan and the 2003 Recognition and Retention Plan, all of which plans have been approved by stockholders. Pursuant to the Recognition and Retention Plans, awards were made to directors and certain executive officers and employees of the Company and affiliates of the Company as determined by the Compensation Committee, which administers the plans. Awards vest for such participants in accordance with schedules determined by the committee. If a recipient ceases continuous service with the Company or the Bank due to normal retirement, death or disability, or following a change in control, shares subject to restrictions will immediately vest; in the event of cessation of continuous service for any other reason, unvested shares are forfeited and returned to the Company. Recipients have the right to vote nonvested shares that have been awarded and will receive dividends declared on such shares.

Pursuant to the Stock Option Plans, options to purchase common stock of the Company were granted to directors and certain executive officers and employees of the Company and affiliates of the Company, as determined by the Compensation Committee which administers the plans. The committee also determines the period over which such awards will vest and become exercisable. The plans provide for awards in the form of stock options, reload options, limited stock appreciation rights and dividend equivalent rights.

No options were granted to the Named Executive Officers during 2004.

Set forth below is certain information concerning options outstanding to the Named Executive Officers at December 31, 2004 and options exercised by the Named Executive Officers during 2004.

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

| Name                    | Shares Acquired<br>Upon Exercise | Value<br>Realized | Number of Options<br>at Year-End |                           | Value of Unexercised<br>in-the-money Options<br>at Year-End(1) |                           |
|-------------------------|----------------------------------|-------------------|----------------------------------|---------------------------|--|---------------------------|
|                         |                                  |                   | Exercisable/Unexercisable (#)    | Exercisable/Unexercisable | Exercisable/Unexercisable                                      | Exercisable/Unexercisable |
| Richard P. Chapman, Jr. | 39,261                           | \$ 436,033        | 704,958/150,000                  |                           | \$ 6,518,702/\$205,500   |                           |
| Charles H. Peck         | 40,454                           | \$ 368,172        | 369,087/87,500                   |                           | \$ 3,323,209/\$119,875   |                           |
| Paul R. Bechet          | 42,677                           | \$ 435,873        | 175,067/57,500                   |                           | \$ 1,416,217/\$78,775  |                           |
| Cheryl B. Gorman        |                                  |                   | 10,000/90,000                    |                           | \$ 34,100/\$184,500  |                           |
| David J. Pallin         |                                  |                   | /40,000                          |                           | \$ /\$54,800   |                           |

- (1) Calculated based on the difference between the exercise price of the options and the last trade price of the Common Stock on December 31, 2004.

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Set forth below is information as of December 31, 2004 regarding equity compensation plans categorized by those plans that have been approved by stockholders and those plans that have not been approved by stockholders.

| Plan   | Number of Securities to be Issued upon Exercise of Outstanding Options and Rights | Weighted Average Exercise Price | Number of Securities Remaining Available for Issuance under Plans |
|--|---|---------------------------------|---|
| Equity compensation plans approved by stockholders     | 3,182,508   | \$ 9.33                         | 1,516,254(1)  |
| Equity compensation plans not approved by stockholders |   |                                 |   |
| <b>Total</b>   | <b>3,182,508</b>  | <b>\$ 9.33</b>                  | <b>1,516,254(1)</b>   |

- (1) Consists of 29,774 shares and 98,000 shares available for future issuance pursuant to the 1999 and 2003 Recognition and Retention Plans, respectively, and 245,980 shares and 1,142,500 shares underlying options available for future issuance pursuant to the 1999 and 2003 Stock Option Plans, respectively.

### Transactions with Certain Related Persons

All transactions between the Company and its executive officers, directors, holders of 10% or more of the shares of its Common Stock and affiliates thereof, are on terms no less favorable to the Company than could have been obtained by it in arm's-length negotiations with unaffiliated persons. The balance of loans outstanding to directors, executive officers and their related interests amounted to \$4,069,000 at December 31, 2004. The Sarbanes-Oxley Act of 2002 generally prohibits an issuer from: (i) extending or maintaining credit; (ii) arranging for the extension of credit; or (iii) renewing an extension of credit in the form of a personal loan for an officer or director. There are several exceptions to this general prohibition, however, one of which is applicable to the Company. Namely, this prohibition does not apply to loans made by a depository institution that is insured by the FDIC and is subject to the insider lending restrictions of the Federal Reserve Act. All loans to the Company's directors and officers by the Bank are made in conformity with the Federal Reserve Act and regulations promulgated thereunder.

## PROPOSAL 2 APPROVAL OF ANNUAL SENIOR EXECUTIVE OFFICER INCENTIVE COMPENSATION PLAN

### Introduction

For many years, the Company has included annual performance-based cash compensation as a component of overall compensation for executive officers to attract and retain talented executive officers and to provide them with added incentives to achieve various short-term performance goals by directly linking the achievement of such goals to their compensation. The Board of Directors has determined to formalize this performance-based compensation for its senior executive officers in the Company's Annual Senior Executive Officer Incentive Compensation Plan. The Board of Directors also has determined to obtain stockholder approval of the material terms of the plan in order for it to qualify as a performance-based plan under Section 162(m) of the Internal Revenue Code (the "Code") and thereby maximize the deductibility of awards paid to the Company's senior executive officers under the plan. Section 162(m) generally would disallow the Company a federal tax deduction for compensation in excess of \$1 million paid in any fiscal year to any senior executive officer included in the Summary Compensation Table. This limitation on deductibility does not apply to payments of

"performance-based compensation." Awards of incentive payments to senior executive officers under the plan are designed to constitute "performance-based compensation."

Under the terms of the plan, within the first 90 days of the Company's fiscal year (while the achievement of the performance objectives is substantially uncertain), the Compensation Committee establishes performance objectives for that fiscal year. The performance objectives for each covered senior executive officer are comprised of two elements: the achievement by the Company of a defined level of operating income, and the maintenance of the Company's asset quality as measured by the level of non-performing loans and other assets to total loans and other assets.

All performance goals are expressed in terms of objective and measurable criteria that are defined at the time the performance goals are established. After the performance goals are established, discretion may not be used to modify award results, except as permitted under Section 162(m) of the Code. Incentive compensation is calculated as a percentage of the senior executive officer's annual salary at the beginning of the year and is paid in cash on a sliding scale tied to the degree to which the performance goals are attained. Annual incentive compensation targets established for eligible senior executive officers range from 25% to 30% of annual base salary.

Participants under the plan are those senior executive officers of the Company designated by the Compensation Committee. During 2004, three senior executive officers of the Company participated in the plan. In 2005, three senior executive officers have been selected to participate in the plan. The Company expects a comparable number of senior executive officers will be selected for participation in the plan in future years.

Incentive compensation is paid in the year following the year for which the compensation is earned, after the Compensation Committee has confirmed in writing the degree of attainment of the performance goals. A senior executive officer whose employment terminates due to death or disability prior to the last day of the fiscal year may receive a pro-rated incentive payment with respect to that fiscal year based on the amount of days the participant was employed in the fiscal year prior to and including the date of death or disability, provided, however, that the senior executive officer achieves on a pro-rata basis, as of the date of his or her last day of employment, the performance objectives established for that senior executive officer for the year. In the event of a change in control of the Company, the Compensation Committee as constituted immediately prior to the change in control has the sole discretion to determine whether and to what extent the performance objectives have been met for the fiscal year in which the change in control occurs. The Compensation Committee has no authority to increase the amount of any individual incentive compensation beyond that otherwise payable under the terms of the plan, but it has the discretion to decrease such compensation. As a result, the amounts payable to any senior executive officer are not yet determinable.

The plan is administered by the Compensation Committee, which consists of four directors, all of whom are "non-employee directors" of the Company as that term is defined under Rule 16b-3 of the Securities Exchange Act of 1934, and all of whom are "outside directors" within the meaning of Section 162(m) and applicable regulations. The Compensation Committee has authority in all matters relating to the discharge of its duties and the exercise of its authority under the plan, and its actions with respect to the plan are binding and conclusive. Although the Compensation Committee generally has the right to amend the plan, any amendment that would (i) change the maximum award that might be payable to any eligible senior executive officer under the plan, or (ii) establish different performance objectives would be subject to stockholder approval in order for the awards of incentive payments to participants to continue to constitute "performance-based compensation" under Section 162(m).

If our stockholders do not approve the plan, the plan will be rescinded and no payments will be made under the plan. However, the Company reserves the right to provide other forms of incentive payments to its senior executive officers that may not be deductible by the Company.



**Recommendation**

**The Board of Directors unanimously recommends a vote "FOR" approval of the Annual Senior Executive Officer Incentive Compensation Plan.**

**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors of the Company has approved the engagement of KPMG LLP to be the Company's independent registered public accounting firm for the 2005 fiscal year, subject to the ratification of the engagement by the Company's stockholders. At the Annual Meeting, stockholders will consider and vote on the ratification of the engagement of KPMG LLP for the Company's fiscal year ending December 31, 2005. A representative of KPMG LLP is expected to attend the Annual Meeting to respond to appropriate questions and to make a statement if he so desires.

On January 17, 2003, the Company elected to change the independent registered public accounting firm to KPMG LLP from Grant Thornton LLP. The decision to change independent registered public accounting firms was recommended by the Audit Committee of the Board of Directors and approved by the Board of Directors. Grant Thornton LLP's report on the consolidated financial statements of the Company for the period ended December 31, 2002 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, auditing scope or accounting principles. Grant Thornton LLP was engaged to audit the consolidated financial statements of the Company as of and for the year ended December 31, 2002. During the year ended December 31, 2002 and the interim period through March 18, 2003, the Company had no disagreements with Grant Thornton LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which disagreements, if not resolved to the satisfaction of Grant Thornton LLP, would have caused it to make reference to the subject matter of the disagreements in connection with its report.

Set forth below is certain information concerning aggregate fees billed for professional services rendered during fiscal year 2004 and 2003 by KPMG LLP, the Company's independent registered public accounting firm. The aggregate fees included in the Audit category were fees billed for the fiscal years for the audit of the Company's annual financial statements, the audit of management's report on internal control over financial reporting and the review of the Company's quarterly financial statements. The aggregate fees included in each of the other categories were fees billed in the fiscal years.

|                    | 2004              | 2003              |
|--------------------|-------------------|-------------------|
|                    | <u>          </u> | <u>          </u> |
| Audit Fees         | \$ 370,000        | \$ 170,000        |
| Audit-Related Fees |                   |                   |
| Tax Fees           | 48,250            | 50,927            |
| All Other Fees     |                   |                   |

**Audit Fees.** Audit fees were for professional services rendered for the audits of the consolidated financial statements of the Company, the review of the financial statements included in the Company's quarterly reports on Form 10-Q and the audit of management's assessment of the Company's internal control over financial reporting.

**Tax Fees.** Tax fees were for services related to tax compliance, tax planning, the review of tax issues in 2004 in connection with the acquisition of Mystic Financial, Inc. and assistance in 2003 in addressing a dispute relating to the Company's real estate investment trust subsidiary.

The Audit Committee considered whether the provision of non-audit services was compatible with maintaining the independence of the independent registered public accounting firm. The Audit

Committee concluded that performing such services in 2004 did not affect the independent registered public accounting firm's independence in performing their function as auditors of the Company.

**Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of the Independent Registered Public Accounting Firm**

The Audit Committee's policy is to pre-approve all audit and non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to particular service or category of services and is generally subject to a specific budget. The Audit Committee has delegated pre-approval authority to its Chairman when expedition of services is necessary. The independent registered public accounting firm and management are required to periodically report to the full Audit Committee regarding the extent of services provided by the independent registered public accounting firm in accordance with this pre-approval, and the fees for the services performed to date. The tax fees paid in 2004 were approved per the Audit Committee's pre-approval policies. The tax fees paid in 2003 were not approved per the Audit Committee's pre-approval policies since such policies had not been implemented at the time such fees were paid.

In order to ratify the selection of KPMG LLP as the independent registered public accounting firm for the 2005 fiscal year, the proposal must receive the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE RATIFICATION OF KPMG LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE 2005 FISCAL YEAR.**

**STOCKHOLDER PROPOSALS**

In order to be eligible for inclusion in the proxy materials for next year's Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at the Company's executive office, 160 Washington Street, Brookline, Massachusetts 02445, no later than November 15, 2005. Any such proposals shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934.

**OTHER MATTERS AND ADVANCE NOTICE PROCEDURES**

The Board of Directors is not aware of any business to come before the Annual Meeting other than the matters described above in this proxy statement. However, if any matters should properly come before the Annual Meeting, it is intended that holders of the proxies will act as directed by a majority of the Board of Directors, except for matters related to the conduct of the Annual Meeting, as to which they shall act in accordance with their best judgment. The Board of Directors intends to exercise its discretionary authority to the fullest extent permitted under the Securities Exchange Act of 1934.

The Bylaws of the Company provide an advance notice procedure for certain business, or nominations to the Board of Directors, to be brought before an annual meeting. In order for a stockholder to properly bring business before an annual meeting, or to propose a nominee to the Board, the stockholder must give written notice to the Secretary of the Company not less than 90 days before the date fixed for such meeting; provided, however, that in the event that less than 100 days' notice or prior public disclosure of the date of the meeting is given or made, notice by the stockholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure was made. The notice must include the stockholder's name, record address and number of shares owned by the stockholder, describe briefly the proposed business, the reasons for bringing the business before the

annual meeting and any material interest of the stockholder in the proposed business. In the case of nominations to the Board, certain information regarding the nominee must be provided. Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement and proxy relating to an annual meeting any stockholder proposal which does not meet all of the requirements for inclusion established by the SEC in effect at the time such proposal is received.

The date on which the 2006 Annual Meeting of Stockholders is expected to be held is April 20, 2006. Accordingly, advance written notice of business or nominations to the Board of Directors to be brought before the 2006 Annual Meeting of Stockholders must be given to the Company no later than January 19, 2006. If notice is received after January 19, 2006, it will be considered untimely, and the Company will not be required to present the matter at the 2006 Annual Meeting of Stockholders.

#### MISCELLANEOUS

The cost of solicitation of proxies in the form enclosed herewith will be borne by the Company. Proxies also may be solicited personally or by mail, telephone or telegraph by the Company's directors, officers and employees, without additional compensation therefor. The Company also will request persons, firms and corporations holding shares in their names, or in the names of their nominees which are beneficially owned by others, to send proxy materials to and to obtain proxies from such beneficial owners, and will reimburse such holders for their reasonable expenses in doing so.

**A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2004 WILL BE FURNISHED WITHOUT CHARGE TO STOCKHOLDERS AS OF THE RECORD DATE UPON WRITTEN OR TELEPHONIC REQUEST TO PAUL R. BECHET, SENIOR VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURER, BROOKLINE BANCORP, INC., 160 WASHINGTON STREET, BROOKLINE, MASSACHUSETTS 02445, OR CALL AT 617-730-3500.**

BY ORDER OF THE BOARD OF  
DIRECTORS

George C. Caner, Jr.  
Corporate Secretary

Brookline, Massachusetts  
March 15, 2005

**REVOCABLE PROXY  
BROOKLINE BANCORP, INC.  
ANNUAL MEETING OF STOCKHOLDERS  
April 21, 2005**

The undersigned hereby appoints the official proxy committee consisting of the Board of Directors with full powers of substitution to act as attorneys and proxies for the undersigned to vote all shares of Common Stock of the Company which the undersigned is entitled to vote at the Annual Meeting of Stockholders ("Annual Meeting") to be held at the Brookline Holiday Inn, 1200 Beacon Street, Brookline, Massachusetts 02446 on April 21, 2005, at 10:00 a.m. The official proxy committee is authorized to cast all votes to which the undersigned is entitled as follows:

|  | <b>FOR</b>                                      | <b>VOTE<br/>WITHHELD</b> |
|--|---|--------------------------|
|  | <i>(except as marked to the contrary below)</i> |                          |
| 1. The election as Directors of all nominees listed below each to serve for a three-year term<br>George C. Caner, Jr.<br>Richard P. Chapman, Jr.<br>John J. McGlynn<br>William V. Tripp, III<br>Peter O. Wilde | o   | o                        |

INSTRUCTION: To withhold your vote for one or more nominees, write the name of the nominee(s) on the line(s) below.

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|  | <b>FOR</b> | <b>AGAINST</b> | <b>ABSTAIN</b> |
|--|------------|----------------|----------------|
| 2. The approval of the Company's Annual Senior Executive Officer Incentive Compensation Plan.  | o          | o              | o              |
|  | <b>FOR</b> | <b>AGAINST</b> | <b>ABSTAIN</b> |
| 3. The ratification of the appointment of KPMG LLP as independent registered public accounting firm for the Company for the year ending December 31, 2005. | o          | o              | o              |

**The Board of Directors recommends a vote "FOR" Proposals 1, 2 and 3.**

**THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR PROPOSALS 1, 2 AND 3. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH ANNUAL MEETING, THIS PROXY WILL BE VOTED AS DIRECTED BY A MAJORITY OF THE BOARD OF DIRECTORS. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING.**

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THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

Should the undersigned be present and elect to vote at the Annual Meeting or at any adjournment thereof and after notification to the Secretary of the Company at the Annual Meeting of the stockholder's decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect. This proxy may also be revoked by sending written notice to the Secretary of the Company at the address set forth on the Notice of Annual Meeting of Stockholders, or by the filing of a later proxy prior to a vote being taken on a particular proposal at the Annual Meeting.

The undersigned acknowledges receipt from the Company prior to the execution of this proxy of notice of the Annual Meeting, a proxy statement dated March 15, 2005 and audited financial statements.

Dated: \_\_\_\_\_ o  Check Box if You Plan  
to Attend Annual Meeting

\_\_\_\_\_  
PRINT NAME OF Stockholder PRINT NAME OF Stockholder

\_\_\_\_\_  
SIGNATURE OF Stockholder SIGNATURE OF Stockholder  
Please sign exactly as your name appears on this card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title.

**Please complete and date this proxy and return it promptly  
in the enclosed postage-prepaid envelope.**

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