

DIME COMMUNITY BANCSHARES INC  
Form DEF 14A  
April 07, 2010

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-16(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

DIME COMMUNITY BANCSHARES, INC.  
(Name of Registrant as Specified In Its Charter)

\_\_\_\_\_  
(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:

\_\_\_\_\_

2) Aggregate number of securities to which transaction applies:

\_\_\_\_\_

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):

\_\_\_\_\_

4) Proposed maximum aggregate value of transaction:

\_\_\_\_\_

5) Total fee paid:

- Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

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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April 7, 2010

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders (the "Annual Meeting") of Dime Community Bancshares, Inc. (the "Company"), which will be held on May 20, 2010 at 10:00 a.m. Eastern Time, at Giando on the Water, 400 Kent Avenue, Brooklyn, New York 11211.

The attached Notice of the Annual Meeting of Shareholders and Proxy Statement describe the business to be transacted at the Annual Meeting. The Directors and several officers of the Company, as well as a representative of Crowe Horwath LLP, the accounting firm appointed by the Audit Committee of the Board of Directors to be the Company's independent auditors for the year ending December 31, 2010, will be present at the Annual Meeting.

The Company's Board of Directors has determined that an affirmative vote on each matter to be considered at the Annual Meeting is in the best interests of the Company and its shareholders and unanimously recommends a vote "FOR" each of these matters.

Please complete, sign and return the enclosed proxy card promptly, whether or not you plan to attend the Annual Meeting. Your vote is important regardless of the number of shares you own. Voting by proxy will not prevent you from voting in person at the Annual Meeting, but will assure that your vote is counted if you are unable to attend. If you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to attend and vote personally at the Annual Meeting. Examples of such documentation include a broker's statement, letter or other document confirming your ownership of the Company's shares.

On behalf of our Board of Directors and employees, we thank you for your continued support and hope to see you at the Annual Meeting.

Sincerely yours,  
Vincent F. Palagiano  
Chairman of the Board and Chief Executive Officer

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Dime Community Bancshares, Inc.  
209 Havemeyer Street  
Brooklyn, New York 11211  
(718) 782-6200

NOTICE OF THE ANNUAL MEETING OF SHAREHOLDERS  
To Be Held on May 20, 2010

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of Dime Community Bancshares, Inc. (the "Annual Meeting") will be held at Giando on the Water, 400 Kent Avenue, Brooklyn, New York 11211, on Thursday, May 20, 2010 at 10:00 a.m. Eastern Time, to consider and vote upon the following:

1. Election of three Directors for terms of three years each;
2. Ratification of the appointment of Crowe Horwath LLP as the Company's independent auditors for the year ending December 31, 2010; and
3. Transaction of such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof. As of the date hereof, management is not aware of any other such business.

The Board of Directors has fixed March 25, 2010 as the record date for the Annual Meeting and any adjournment or postponement thereof. Only shareholders of record at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting and any adjournment or postponement thereof. A list of such shareholders will be available for inspection by any shareholder for any lawful purpose germane to the Annual Meeting at the Company's corporate headquarters at 209 Havemeyer Street, Brooklyn, NY 11211 at any time during regular business hours for 10 days prior to the Annual Meeting.

By Order of the Board of Directors  
Lance J. Bennett  
Secretary

Brooklyn, New York  
April 7, 2010

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED REGARDLESS OF THE NUMBER OF SHARES YOU OWN. THE BOARD OF DIRECTORS URGES YOU TO MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. RETURNING THE PROXY CARD WILL NOT PREVENT YOU FROM VOTING IN PERSON IF YOU ATTEND THE ANNUAL MEETING.

DIME COMMUNITY BANCSHARES, INC.

PROXY STATEMENT FOR THE  
ANNUAL MEETING OF SHAREHOLDERS

To Be Held on May 20, 2010

GENERAL INFORMATION

General

This Proxy Statement and accompanying proxy card are being furnished to the shareholders of Dime Community Bancshares, Inc. (the "Company") in connection with the solicitation of proxies by the Company's Board of Directors from holders of the shares of the Company's issued and outstanding common stock, par value \$0.01 per share (the "Common Stock"), for use at the Annual Meeting of Shareholders to be held on May 20, 2010 (the "Annual Meeting") at Giando on the Water, 400 Kent Avenue, Brooklyn, New York, at 10:00 a.m. Eastern Time, and at any adjournment or postponement thereof. The Company is a Delaware corporation and operates as a unitary savings and loan holding company for The Dime Savings Bank of Williamsburgh (the "Bank"). This Proxy Statement, together with the enclosed proxy card, is first being mailed to shareholders on or about April 12, 2010.

Record Date

The Company's Board of Directors has fixed the close of business on March 25, 2010 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Annual Meeting (the "Record Date"). Accordingly, only holders of record of shares of Common Stock at the close of business on March 25, 2010 will be entitled to vote at the Annual Meeting. There were 34,385,355 shares of Common Stock outstanding on the Record Date. The presence, in person or by proxy, of the holders of at least a majority of the total number of shares of Common Stock entitled to vote at the Annual Meeting is necessary to constitute a quorum.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 20, 2010

The notice of meeting, proxy statement, annual report and sample proxy card are available for review at <http://www.amstock.com/proxyservices/viewmaterial.asp?CoNumber=15119>. The notice of meeting, proxy statement and annual report are also available on the Company's website at [www.dime.com](http://www.dime.com).

Voting Rights

Each holder of Common Stock on the Record Date will be entitled to one vote at the Annual Meeting for each share of record held (other than Excess Shares as defined below). As provided in the Company's Certificate of Incorporation, record holders (other than any compensation plan maintained by the Company and certain affiliates) of Common Stock who beneficially own in excess of 10% of the issued and outstanding shares of Common Stock (such shares in excess of 10% referred to herein as "Excess Shares") shall be entitled to cast only one-hundredth of one vote per share for each Excess Share. A person or entity is deemed to beneficially own shares owned by an affiliate or associate as well as by persons acting in concert with such person or entity. The Company's Certificate of Incorporation authorizes a majority of the Board of Directors to interpret the provisions of the Certificate of Incorporation governing Excess Shares, and to determine, on the basis of information known to them after reasonable inquiry, all facts necessary to ascertain compliance with the Excess Shares provisions of the Certificate of Incorporation, including, without

limitation, (i) the number of shares of Common Stock beneficially owned by any person or purported owner, (ii) whether a person or purported owner is an affiliate or associate of, or is acting in concert with, any other person or purported owner, and (iii) whether a person or purported owner has an agreement or understanding with any other person or purported owner as to the voting or disposition of any shares of Common Stock.

You may vote your shares by marking and signing the enclosed Proxy Card and returning it in the enclosed postage-paid envelope, by telephone or internet by following the instructions stated on the Proxy Card or by attending the Annual Meeting and voting in person. All properly executed proxies received by the Company on or before the close of voting on May 20, 2010 will be voted in accordance with the instructions indicated thereon. If no instructions are given, executed proxies will be voted FOR election of each of the three nominees for Director, FOR ratification of the appointment of Crowe Horwath LLP as independent auditors for the year ending December 31, 2010, and FOR each other proposal identified in the Notice of the Annual Meeting of Shareholders.

Management is not aware of any matters other than those set forth in the Notice of the Annual Meeting of Shareholders that may be brought before the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons named in the accompanying proxy will vote the shares represented by all properly executed proxies on such matters in such manner as shall be determined by a majority of the Company's Board of Directors.

If you are a shareholder whose shares are not registered in your own name, you will need appropriate documentation from your shareholder of record to vote personally at the Annual Meeting. Examples of such documentation include a broker's statement, letter or other document that will confirm your ownership of the Common Stock.

#### Vote Required

Directors are elected by a plurality of the votes cast in person or by proxy at the Annual Meeting. The holders of Common Stock may not vote their shares cumulatively for the election of Directors. Proposal 2 requires the affirmative vote of the holders of a majority of the number of votes eligible to be cast by the holders of Common Stock represented, in person or by proxy, and entitled to vote at the Annual Meeting.

Shares as to which the "ABSTAIN" box has been selected on the Proxy Card with respect to Proposal 2 will be counted as present and entitled to vote and will have the effect of a vote against that proposal. In contrast, shares underlying broker non-votes will not be counted as present and entitled to vote and will have no effect on the vote on Proposal 2.

With respect to the election of the three nominees for Director, shares as to which the "WITHHOLD AUTHORITY" box has been selected for either all or some of the nominees will be counted as being present for the matter but not as voting "for" the election of the respective nominees. Therefore, the proxy represented by these shares will have the same effect as voting against the respective nominees. In contrast, shares underlying broker non-votes will not be counted as present and entitled to vote and will have no effect on the vote on Proposal 1.

#### Revocability of Proxies

A proxy may be revoked at any time before it is voted by filing a written revocation of the proxy with the Company's Secretary at 209 Havemeyer Street, Brooklyn, New York 11211 or by submitting a duly executed proxy bearing a later date. A proxy also may be revoked by attending and voting at the Annual Meeting, only if a written revocation is filed with the Secretary prior to the voting of such proxy.

#### Solicitation of Proxies

The Company will bear the costs of soliciting proxies from its shareholders. In addition to the use of mail, proxies may be solicited by officers, Directors or employees of the Company or the Bank by telephone or other forms of communication. The Company will also 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 obtain proxies from, such beneficial owners, and will reimburse such holders for reasonable expenses incurred in connection therewith. In addition, the Company has retained American Stock Transfer & Trust Company to assist in the solicitation of proxies. The cost of such solicitation, which will be comprised of reimbursement for reasonable out-of-pocket expense, will be paid by the Company.

#### Director Attendance at Annual Meetings

The Company considers Board attendance at shareholder meetings a priority. It is the policy of the Company that Directors exercise their best efforts to attend every meeting. All eleven individuals who were members of the Board at the time attended the annual meeting held in 2009.





## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Principal Shareholders of the Company

The following table sets forth, as of March 25, 2010, certain information as to persons known to the Company to be the beneficial owner of in excess of 5% of the shares of Common Stock. Management knows of no person, except as listed below, who beneficially owned more than 5% of the Common Stock as of March 25, 2010. Except as otherwise indicated, the information provided in the table was obtained from filings with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Addresses provided are those listed in the filings as the address of the person authorized to receive notices and communications. For purposes of the table below and the table set forth under "Security Ownership of Management," in accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner of any shares of Common Stock (1) over which he or she has or shares, directly or indirectly, voting or investment power, and (2) of which he or she has the right to acquire beneficial ownership at any time within 60 days after March 25, 2010. As used herein, "voting power" includes the power to vote, or direct the voting of, Common Stock and "investment power" includes the power to dispose, or direct the disposition, of such shares. Unless otherwise noted, each beneficial owner has sole voting and sole investment power over the shares beneficially owned.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	The Employee Stock Ownership Plan Trust of Dime Community Bancshares, Inc. and Certain Affiliates 452 Fifth Avenue New York, NY 10018	3,288,113(1)	9.56%
Common Stock	Compensation Committee of Dime Community Bancshares, Inc. (includes the 3,288,113 ESOP shares reflected above) 209 Havemeyer Street Brooklyn, NY 11211	4,123,151(2)	11.99%
Common Stock	Blackrock, Inc. 40 East 52nd Street New York, NY 10022	2,661,770(3)	7.74%

(1) The Employee Stock Ownership Plan of Dime Community Bancshares, Inc. and Certain Affiliates (the "ESOP") filed a Schedule 13G with the SEC on February 11, 2010. The ESOP is administered by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). The ESOP's assets are held in a trust (the "ESOP Trust") for which Pentegra Asset Management (formerly RS Group Trust Company) serves as trustee (the "ESOP Trustee"). The ESOP Trust purchased these shares with funds borrowed from the Company and placed them in a suspense account for release and allocation to participants' accounts in annual installments. As of March 25, 2010, 2,037,641 shares held by the ESOP Trust were allocated. The terms of the ESOP provide that, subject to the ESOP Trustee's fiduciary responsibilities under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the ESOP Trustee will vote, tender or exchange shares of Common Stock held in the ESOP Trust in accordance with instructions received from the participants. The ESOP Trustee will vote allocated shares as to which no instructions are received and any shares that have not been allocated to

participants' accounts in the same proportion as allocated shares with respect to which the ESOP Trustee receives instructions are voted, subject to fiduciary duties of the ESOP Trustee. The ESOP Trustee will tender or exchange any shares in the suspense account or that otherwise have not been allocated to participants' accounts in the same proportion as allocated shares with respect to which the ESOP Trustee receives instructions are tendered or exchanged, subject to fiduciary duties of the ESOP Trustee. With respect to allocated shares as to which no instructions are received, the ESOP Trustee will be deemed to have received instructions not to tender or exchange such shares. Each member of the Compensation Committee disclaims beneficial ownership of such shares. See footnote 2 for a discussion of the voting and investment powers of the Compensation Committee.

- (2) The Compensation Committee filed a Schedule 13G with the SEC on February 11, 2010. The Compensation Committee serves certain administrative functions for the ESOP and The Dime Savings Bank of Williamsburgh 401(k) Plan [the "401(k) Plan"]. In addition, the Compensation Committee serves as trustee for 295,066 restricted stock awards granted to certain officers of the Company or Bank under the 2004 Stock Incentive Plan. Shares indicated in the table as beneficially owned by the Compensation Committee include all shares indicated in the table as beneficially owned by the ESOP Trust. The Compensation Committee has the authority to direct the ESOP Trustee with respect to the investment of the ESOP's assets (including the acquisition or disposition of both allocated and unallocated shares) in the absence of a tender offer, but has no voting power with respect to any shares. With respect to the ESOP, ERISA, in limited circumstances, may confer upon the ESOP Trustee the power and duty to control the voting and tendering of Common Stock allocated to the accounts of participating employees and beneficiaries who fail to exercise their voting and/or tender rights. Each member of the Compensation Committee disclaims beneficial ownership of such shares.
- (3) Blackrock, Inc. ("Blackrock") filed a Schedule 13G on January 29, 2010 related to the former holdings of Barclay's Private Bank and Trust Limited ("Barclays"), of which Blackrock assumed ownership in December 2009. The shares are held in various trust accounts for the economic benefit of former Barclay's customers who are the beneficiaries of those accounts. The Schedule 13G states that Blackrock has sole voting power over 2,661,770 shares and sole dispositive power over 2,661,770 shares.

## Security Ownership of Management

The following table sets forth information with respect to the shares of Common Stock beneficially owned by each of the Company's Directors and the principal executive officer, principal financial officer and three most highly compensated executive officers (other than the principal executive and principal financial officer) of the Company or Bank (the "Named Executive Officers"), and all of the Company's Directors and executive officers as a group, as of the Record Date. Except as otherwise indicated, each person and each group shown in the table has sole voting and investment power with respect to the shares of Common Stock indicated.

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership (1)(2)(3)	Percent of Class Outstanding	Vested Stock Options Included in Beneficial Ownership Total (4)	Other Non-Beneficial Ownership (5)
Common	Vincent F. Palagiano	Director, Chairman of the Board and Chief Executive Officer	1,524,111(6)	4.4%	848,330	316,323
Common	Michael P. Devine	Director, President and Chief Operating Officer	929,744(7)	2.7	487,467	214,265
Common	Kenneth J. Mahon	Director, First Executive Vice President and Chief Financial Officer	630,233(8)	1.8	318,301	117,026
Common	Anthony Bergamo	Director	177,161(9)	*	60,599	-
Common	George L. Clark, Jr.	Director	285,526(10)	*	60,599	-
Common	Steven D. Cohn	Director	115,799(11)	*	43,849	-
Common	Patrick E. Curtin	Director	132,551(12)	*	60,599	-
Common	Fred P. Fehrenbach	Director	137,366(13)	*	53,849	-
Common	John J. Flynn	Director	76,927(14)	*	46,349	-
Common	Joseph J. Perry	Director	45,668	*	28,869	-
Common	Omer S.J. Williams	Director	42,688	*	28,869	-
Common	Christopher D. Maher	Executive Vice President and Chief Retail Officer	93,760(15)	*	43,616	-

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Common	Daniel J. Harris	Executive Vice President and Chief Lending Officer	45,715(16)	*	25,820	-
All Directors and executive officers as a group (15 persons)			6,693,896	19.5%	2,311,648	732,643

\* Less than one percent

(1) See "Security Ownership of Certain Beneficial Owners and Management – Principal Shareholders of the Company" for a definition of "beneficial ownership."

(2) The figures shown include ESOP shares held in trust that have been allocated to individual accounts as follows: Mr. Palagiano, 55,966 shares; Mr. Devine, 55,966 shares; Mr. Mahon, 55,966 shares; Mr. Maher, 4,207 shares; Mr. Harris, 923 shares, and all Directors and executive officers as a group, 275,040 shares (the Directors do not participate in the ESOP). Such persons have voting power (subject to the legal duties of the ESOP Trustee) but no investment power, except in limited circumstances, as to such shares. The figures shown for Messrs. Palagiano, Devine, Mahon, Maher and Harris do not include any portion of the 1,250,472 ESOP shares held in trust that have not been allocated to any individual's account and as to which Messrs. Palagiano, Devine, Mahon, Maher and Harris may be deemed to share voting power with other ESOP participants. The figure shown for all Directors and executive officers as a group includes 1,250,472 shares as to which the members of the Compensation Committee (consisting of Messrs. Bergamo, Fehrenbach, Flynn and Perry) may be deemed to have sole investment power, except in limited circumstances, thereby causing each such Compensation Committee member to be deemed a beneficial owner of such shares. Each member of the Compensation Committee disclaims beneficial ownership of such shares and, accordingly, such shares are not attributed to the members of the Compensation Committee individually. In addition, the figure shown for all Directors and executive officers as a group includes 732,643 shares held in trust ("BMP Trust") for the benefit of Messrs. Palagiano, Devine and Mahon and other officers under the Benefit Maintenance Plan of Dime Community Bancshares, Inc. (the "BMP"). The BMP Trust, as directed by the Company, exercises voting and investment power over these shares (See "Compensation – Executive Compensation – Compensation Plans – ESOP").

(3) The figures shown include shares held pursuant to the 401(k) Plan that were allocated as of the Record Date to individual accounts as follows: Mr. Mahon, 104,613 shares; Mr. Maher, 4,320 shares; Mr. Harris, 407 shares, and all Directors and executive officers as a group, 109,340 shares. Such persons have sole voting power and sole investment power as to such shares [See "Compensation – Executive Compensation – Compensation Plans – 401(k) Plan"].

(4) Amounts include stock options eligible to be exercised within 60 days of March 25, 2010 as follows: Messrs. Bergamo, Clark, Cohn, Curtin, Fehrenbach, Flynn, Perry and Williams, 8,869 options each; Mr. Palagiano, 62,500 options; Mr. Devine, 56,733 options; Mr. Mahon, 35,663 options; Mr. Maher, 24,336 options; Mr. Harris, 15,173 options and all Directors and executive officers as a group, 300,493 options.

(5) Other non-beneficial ownership amounts represent shares that are held in trust for the benefit of the respective Named Executive Officers under the BMP. Messrs. Palagiano, Devine and Mahon have neither voting nor investment power with respect to these shares. However, since the Company maintains full voting and dispositive powers over these shares, they are included in the total beneficial ownership amount for the full

Directors and executive officers group (see footnote 2 above).

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- (6) Includes 619,781 shares as to which Mr. Palagiano may be deemed to share voting and investment power.
- (7) Includes 352,891 shares as to which Mr. Devine may be deemed to share voting and investment power.
- (8) Includes 124,277 shares as to which Mr. Mahon may be deemed to share voting and investment power.
- (9) Includes 114,763 shares as to which Mr. Bergamo may be deemed to share voting and investment power.
- (10) Includes 84,375 shares as to which Mr. Clark may be deemed to share voting and investment power.
- (11) Includes 70,151 shares as to which Mr. Cohn may be deemed to share voting and investment power.
- (12) Includes 70,153 shares as to which Mr. Curtin may be deemed to share voting and investment power.
- (13) Includes 338 shares as to which Mr. Fehrenbach may be deemed to share voting and investment power.
- (14) Includes 28,779 shares as to which Mr. Flynn may be deemed to share voting and investment power.
- (15) Includes 5,882 shares owned in a trust for which Mr. Maher serves as trustee and beneficiary.
- (16) Includes 400 shares as to which Mr. Harris may be deemed to share voting and investment power.

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PROPOSAL 1

ELECTION OF DIRECTORS

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General

The Company's Certificate of Incorporation and Bylaws provide for the election of Directors by the shareholders. For this purpose, the Company's Board of Directors is divided into three classes, each class to be as nearly equal in number as possible. The terms of office of the members of one class expire, and a successor class is to be elected, at each annual meeting of shareholders. The Company currently has eleven Directors.

Vincent F. Palagiano, Patrick E. Curtin, and Omer S.J. Williams, incumbent Directors whose terms expire at the Annual Meeting, have been nominated by the Nominating Committee of the Board of Directors to be re-elected at the Annual Meeting for a term expiring at the annual meeting to be held in 2013, or when their successors are otherwise duly elected and qualified.

Each nominee has consented to being named in this Proxy Statement and to serve, if elected. In the event that any nominee for election as a Director at the Annual Meeting is unable or declines to serve, which the Board of Directors has no reason to expect, the persons named in the Proxy Card will vote with respect to a substitute nominee designated by the present Board of Directors, unless the shareholder has elected to "withhold authority" with respect to all nominees.

Information as to Nominees and Continuing Directors

In March 2010, the Board determined that all of its current Directors with the exception of Messrs. Palagiano, Devine, Mahon and Curtin were independent pursuant to its Policy Regarding Director Independence (the "Director Independence Policy") and National Association of Securities Dealers, Inc. ("NASD") Rule 5605(a)(2) ["Rule 5605(a)(2)"]. Messrs. Palagiano, Devine and Mahon were not independent because they were officers of the Company. Mr. Curtin was deemed not independent because he was a member of a law firm providing various legal services to the Company or its subsidiaries. See "Transactions with Certain Related Persons." The Director Independence Policy is available on the Company's website at [www.dime.com](http://www.dime.com) by clicking Investor Relations and then Corporate Governance within the Investor Relations menu.

The Nominating Committee is responsible for identifying, evaluating and recommending nominees for election by the Company's shareholders. The Nominating Committee is authorized to retain search firm(s) to assist in the identification of candidates. The Nominating Committee is not limited to a specific process in identifying candidates and will consider potential nominees from various sources, including recommendations from shareholders as well as Directors and officers of the Company. Individuals recommended by shareholders are evaluated in a manner identical to other potential nominees.

The Nominating Committee has adopted general criteria for nomination to the Board which establish the minimum qualifications and experience to be examined in determining candidates for election. Pursuant to the general criteria, Directors should possess personal and professional ethics, integrity and values; be committed to representing the long-term interests of the Company's shareholders and other constituencies; possess the ability to (a) exercise sound business judgment, (b) work with others as an effective group, and (c) commit adequate time to their responsibilities; be independent as defined in applicable law, the Director Independence Policy and the Company's Code of Business Ethics and be able to impartially represent the interests of the Company's shareholders and other constituencies; possess experience and expertise relevant to the business of the Company; and possess such other knowledge, experience or skills as required or which may be useful considering the composition of the Board, the operating

requirements of the Company and the long-term interests of the shareholders. The nomination guidelines promote Board diversity to respond to business needs and shareholder interests.

The following table sets forth certain information with respect to each nominee for election as a Director and each Director whose term does not expire at the Annual Meeting ("Continuing Director"). There are no arrangements or understandings between the Company and any Director or nominee pursuant to which such person was selected as a Director or nominee. For information with respect to security ownership by Directors, see "Security Ownership of Certain Beneficial Owners and Management – Security Ownership of Management."

	Age(1)	Director Since(2)	Term Expires	Position(s) Held with the Company and the Bank
<b>Nominees</b>				
Vincent F. Palagiano	69	1978	2010	Director, Chairman of the Board and Chief Executive Officer ("CEO")
Patrick E. Curtin	64	1986	2010	Director
Omer S. J. Williams	69	2006	2010	Director
<b>Continuing Directors</b>				
Michael P. Devine	63	1980	2012	Director, President and Chief Operating Officer
Kenneth J. Mahon	59	2003	2011	Director, First Executive Vice President and Chief Financial Officer ("CFO")
Anthony Bergamo	63	1986	2012	Director
George L. Clark, Jr.	69	1980	2011	Director
Steven D. Cohn	61	1994	2011	Director
Fred P. Fehrenbach	73	1987	2012	Director
John J. Flynn	73	1994	2011	Director
Joseph J. Perry	43	2005	2012	Director

(1) As of March 25, 2010.

(2) Includes service as a Director or Trustee with the Bank prior to the Company's incorporation on December 12, 1995.

The principal occupation and current public company directorships, as well as public company directorships held at any time during the past five years, of each of the nominees is listed below. The information with respect to the nominees is as of March 25, 2010, and includes each nominee's affiliations with the Company's subsidiary bank, The Dime Savings Bank of Williamsburgh (the "Bank"), and with the Bank's principal operating subsidiaries.

The principal occupation and business experience of each nominee for election as a Director and each Continuing Director are set forth below.

Nominees for Election as Director



Vincent F. Palagiano has served as the Chairman of the Board and CEO of the Company since its formation in 1995 and of the Bank since 1989. He has served as a Trustee or Director of the Bank since 1978. In addition, Mr. Palagiano has served on the Board of Directors of the Boy Scouts of America, Brooklyn Division since 1999, and served on the Boards of Directors of the Institutional Investors Capital Appreciation Fund from 1996 to 2006, and The Community Banker's Association of New York from 2001 to 2005. Mr. Palagiano joined the Bank in 1970 as an appraiser and has also served as President of both the Company and the Bank, and as Executive Vice President, Chief Operating Officer and Chief Lending Officer of the Bank. Prior to 1970, Mr. Palagiano served in the real estate and mortgage departments at other financial institutions and title companies. This experience and these qualifications led the Board to conclude that Mr. Palagiano should serve as a Director of the Company.

Patrick E. Curtin has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1986. Mr. Curtin is a senior partner in the law firm of Conway Farrell Curtin & Kelly, P.C. ("Conway Farrell") in New York, New York, and has represented the Bank in loan closings, litigation and various other matters for over 25 years. This experience and these qualifications led the Board to conclude that Mr. Curtin should serve as a Director of the Company.

Omer S.J. Williams has served as a Director of both the Company and Bank since July 2006. Prior to his retirement in early 2009, Mr. Williams was a partner at Thacher Proffitt & Wood LLP ("Thacher"), where he served as both Chairman of the firm's Executive Committee and Managing Partner of the firm. Mr. Williams has more than 40 years experience in corporate and financial institution law, including securities and mortgage finance issues, and represented the Company and Bank in connection with such matters from 1995 until his retirement in 2009. This experience and these qualifications led the Board to conclude that Mr. Williams should serve as a Director of the Company.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE NOMINEES FOR ELECTION AS DIRECTORS.

Continuing Directors

Michael P. Devine has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1980. Mr. Devine has served as President of both the Company and Bank since January 1, 1997 and as Chief Operating Officer of the Company since its inception in 1995 and of the Bank since 1989. Prior to Mr. Devine's appointment as President, he served as Executive Vice President and Secretary of both the Company and the Bank. Mr. Devine joined the Bank in 1971 and has served as the Internal Auditor, Comptroller and Investment Officer. Prior to 1971, Mr. Devine served as a Senior Accountant with the firm of Peat Marwick Mitchell & Co. From August 2001 through September 12, 2008, Mr. Devine served on the Board of Directors of Retirement Systems Group, Inc. In September 2007, Mr. Devine joined the Board of Trustees of Long Island University and serves on its Audit and Budget and Finance Committees. In March 2009, Mr. Devine was elected a director of RSI Retirement Trust, for which he is not compensated. This experience and these qualifications led the Board to conclude that Mr. Devine should serve as a Director of the Company.

Kenneth J. Mahon has served as a Director of the Company since 2002 and of the Bank since 1998. Mr. Mahon has served as the CFO of both the Company and the Bank since 1996. Mr. Mahon was named First Executive Vice President of both the Company and the Bank in 2008 and Executive Vice President of both the Company and Bank in 1997. Prior to serving as Executive Vice President, Mr. Mahon served as the Bank's Comptroller and Senior Vice President. Mr. Mahon is a member of the Financial Managers Society, the National Investor Relations Institute and the National Association of Corporate Directors, and serves on the Neighborhood Advisory Board of Brooklyn Legal Services Corporation A. Prior to joining the Bank in 1980, Mr. Mahon served in the financial areas of several New York City metropolitan area savings banks. This experience and these qualifications led the Board to conclude that Mr. Mahon should serve as a Director of the Company.

Anthony Bergamo has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1986. Mr. Bergamo is an attorney licensed in New York and New Jersey and currently serves as Vice Chairman of MB Real Estate, headquartered in Manhattan, New York. Mr. Bergamo is also the chief executive officer of Niagara Falls Redevelopment LLC, Chairman of the Federal Law Enforcement Foundation and Audit Chairman of SP Acquisition Holdings, Inc. In 2002, Mr. Bergamo was elected a director of Lonestar Steakhouse and Saloon, Inc., a publicly traded company. Mr. Bergamo also serves as a member of the New York State Judicial Screening Committee and as a board member of the New York City division of Off Track Betting. This experience and these qualifications led the Board to conclude that Mr. Bergamo should serve as a Director of the Company.

George L. Clark, Jr. has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1980. Mr. Clark has served as Lead Director of the Boards of both the Company and Bank since 2007. Mr. Clark is President of George L. Clark Inc. (Realtors), a New York State licensed real estate firm. Mr. Clark was a director of the Federal National Mortgage Association between 1986 and 1992, and a former Chairman of the New York State Republican Committee. Mr. Clark has been a licensed real estate broker for 49 years. This experience and these qualifications led the Board to conclude that Mr. Clark should serve as a Director of the Company.

Steven D. Cohn has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1994. Mr. Cohn is the managing partner in the law firm of Goldberg and Cohn LLP, in Brooklyn Heights, New York, and is both a past President of the Brooklyn Bar Association and a delegate to the New York State Bar Association. Mr. Cohn is also an adjunct professor at the Fashion Institute of Technology, teaching classes in business law and marketing research. This experience and these qualifications led the Board to conclude that Mr. Cohn should serve as a Director of the Company.

Fred P. Fehrenbach has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since 1987. Mr. Fehrenbach is President of Consolidated Brokerage Corp., a retail insurance brokerage located in Great Neck, New York. Mr. Fehrenbach has been with Consolidated Brokerage Corp. since 1975. Mr. Fehrenbach is also the President of Shell Realty Corp., a real estate holding company. This experience and these qualifications led the Board to conclude that Mr. Fehrenbach should serve as a Director of the Company.

John J. Flynn has served as a Director of the Company since its formation in 1995 and as a Trustee or Director of the Bank since October 1994, and before that from February 1983 to February 1993. From February 1993 through August 1994, Mr. Flynn was Executive Vice President of Flushing Savings Bank, FSB in Flushing, New York. Since September 1994, Mr. Flynn has been a self-employed real estate mortgage broker and consultant. This experience and these qualifications led the Board to conclude that Mr. Flynn should serve as a Director of the Company.

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Joseph J. Perry has served as a Director of both the Company and Bank since September 2005, and from January 2004 through August 2005 as a Director of Havemeyer Equities, Inc., a previously wholly-owned subsidiary of the Bank. He is currently a partner at Marcum LLP, a public accounting and consulting firm headquartered in Melville, New York, where he has served as the partner-in-charge of the Long Island Tax Department since July 2004 and firm-wide Partner-in-Charge of Tax Services since 2006. Prior to joining Marcum LLP, Mr. Perry was a tax partner at one of the leading "Big 5" accounting firms and provided services to several financial services companies throughout the New York metropolitan area. Mr. Perry is a member of the American Institute of Certified Public Accountants and the New York State Society of Public Accountants. He has additionally served as a member of the advisory board to Suffolk Community College. This experience and these qualifications led the Board to conclude that Mr. Perry should serve as a Director of the Company.

#### Board Leadership Structure

The Chief Executive Officer also serves as Chairman of the Board, due, in part, to his extensive tenure with the Company and Bank, which provides unique and vital knowledge regarding their history, strategy, business and operations. The Board, however, has created a Lead Director position in order to enhance Board independence and oversight. George L. Clark, Jr. is currently the Lead Director. Among other functions, the Lead Director presides at executive sessions of the independent Directors and serves as a liaison between the Chairman of the Board and the independent Directors.

In the ordinary course of business, the Company faces various strategic, operating, compliance and financial risks. Management is responsible for the day-to-day management of risk, while the Board, as a whole and through its standing Committees, is responsible for the oversight of risk management. In its risk oversight role, the Board has the responsibility of satisfying itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To accomplish this objective, the Board invites senior management to attend, and present reports at, all Board meetings. In addition, the Bank's Director of Risk Management attends all meetings of the Audit and Mortgage Review Committees of the Board, and twice annually presents updates on risk management activities to the Audit Committee.

#### Meetings and Committees of the Company's Board of Directors

The Board of Directors meets on a monthly basis and may have additional special meetings upon the request of the Chairman of the Board, President or at least 60% (but not less than five) of the Directors then in office. The Company's Board of Directors met twelve times during the year ended December 31, 2009. No incumbent Directors during 2009 attended fewer than 75% of the aggregate of: (i) the total number of Board meetings conducted during the period for which he was a Director, and (ii) the total number of meetings conducted by committees of the Board on which he served during the periods that he served.

The Company's Board of Directors has established the following committees:

The Executive Committee consists of Messrs. Palagiano (Chairman), Devine, Bergamo, Clark, Cohn and Fehrenbach. The purpose of the Executive Committee is to exercise all the powers of the Board in the management of the business and affairs of the Company in the intervals between the meetings of the Board. The Executive Committee meets at the call of the Chairman, President or a majority of the members of the Executive Committee. The Executive Committee conducted no meetings during the year ended December 31, 2009.

The Compensation Committee consists of Messrs. Bergamo (Chairman), Fehrenbach, Flynn and Perry. The Compensation Committee establishes the compensation of the CEO, approves the compensation of executive management, oversees administration of the process for determining the compensation and benefits of officers and employees of the Bank, recommends Director compensation to the Board and assists the Board in its oversight of the

human resources activities of the Company and its subsidiaries. The Compensation Committee utilizes Mercer Consulting, a nationally recognized compensation consulting firm, and the Company's outside legal counsel, to assist in performing its duties. Mercer is instructed to analyze the Company's performance and executive pay levels. A peer group of public banks and thrifts is used for comparison of both pay level and corporate performance. The Compensation Committee uses this analysis to assist it in understanding market practices and trends and to develop and evaluate the effectiveness of recommended performance-linked compensation strategies. The Committee relies on legal counsel to advise on its obligations under applicable corporate, securities and employment laws, to assist in interpreting the Company's obligations under compensation plans and agreements, and to draft plans and agreements to document business decisions. The Committee considers the expectations of executive management with respect to their own compensation, and their recommendations with respect to the compensation of Directors and more junior executive officers.

The Compensation Committee may delegate such of its powers and responsibilities as it deems appropriate to

subcommittees of its membership or officers of the Company. The Compensation Committee operates pursuant to a charter, which is available on the Company's website at [www.dime.com](http://www.dime.com), by initially selecting "Investor Relations" and subsequently selecting "Governance Documents." The Compensation Committee's charter requires that it meet annually and as requested by the Chairman of the Board of Directors. The Compensation Committee met twice during the year ended December 31, 2009.

The Nominating Committee consists of Messrs. Flynn (Chairman), Clark and Cohn, each of whom is independent as defined in Rule 5605(a)(2). The Nominating Committee identifies and selects nominees for all Directorships, recommends committee memberships to the Board, and establishes criteria for the selection of new Directors to serve on the Board. The Nominating Committee met twice during 2009. In addition, the Nominating Committee met on January 21, 2010 to, among other matters, select the nominees for election as Directors at the Annual Meeting. In accordance with the Company's Bylaws, provided the Nominating Committee makes such nominations, no nominations for election as Director except those made by the Nominating Committee shall be voted upon at the Annual Meeting unless properly made by a shareholder in accordance with the procedures set forth under "2010 Annual Meeting Stockholder Proposals" in the proxy statement for the annual meeting held in May 2009. The Nominating Committee operates pursuant to a charter. A current copy of the Nominating Committee charter is available on the Company's website, at [www.dime.com](http://www.dime.com), by clicking Investor Relations and then Corporate Governance within the Investor Relations menu.

The Governance Committee consists of Messrs. Williams (Chairman), Cohn and Perry. The Governance Committee develops and recommends to the Board corporate governance principles applicable to the Company, and otherwise assumes a leadership role in the corporate governance of the Company. The Governance Committee met three times during 2009.

The Audit Committee consists of Messrs. Bergamo (Chairman), Clark, Cohn, and Perry, each of whom is independent as defined in Rule 5605(a)(2) and satisfies the independence criteria set forth in Rule 10A-3(b)(1) of the Securities Exchange Act of 1934. The Board of Directors has determined that Messrs. Bergamo and Perry qualify as Audit Committee financial experts as defined in Item 407(d)(5) of SEC Regulation S-K. The Audit Committee is appointed by the Board of Directors of the Company to assist the Board in (1) monitoring the integrity of the financial statements of the Company, (2) monitoring Company compliance with legal and regulatory requirements and internal controls, (3) monitoring the independence and performance of the Company's internal and independent auditors, and (4) maintaining an open means of communication among the independent auditor, senior management, the internal auditors, and the Board. The Audit Committee operates pursuant to a written charter. A current copy of the charter may be viewed on the Company's website at [www.dime.com](http://www.dime.com). The Audit Committee charter requires that it meet at least four times annually or more frequently as circumstances dictate. The Audit Committee met six times during the year ended December 31, 2009.

#### Report of Audit Committee

The following Report of the Company's Audit Committee is provided in accordance with the rules and regulations of the SEC.

Under rules promulgated by the SEC, the Company is required to provide certain information regarding the activities of its Audit Committee. In fulfillment of this requirement, the Audit Committee, at the discretion of the Board, has prepared the following report for inclusion in the Proxy Statement:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements of the Company as of and for the year ended December 31, 2009 with management;

2. The Audit Committee has discussed with the independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;

3. The Audit Committee has received the written disclosures and the letter from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communication with the Audit Committee concerning independence, and has discussed with the independent accountant the independent accountant's independence; and

4. Based on the review and discussions referred to in paragraphs 1 through 3 above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 for filing with the Securities and Exchange Commission.

#### AUDIT COMMITTEE OF DIME COMMUNITY BANCSHARES, INC.

Anthony Bergamo, Chairman  
George L. Clark, Jr., Member  
Steven D. Cohn, Member  
Joseph J. Perry, Member

#### Directors' Compensation

Fee Arrangements. During the entire year ended December 31, 2009, each of the Company's non-officer Directors (each an "Outside Director") received a retainer of \$30,000, and meeting attendance fees of \$1,500 for each of the full Company or Bank Board meetings, \$1,000 for the Audit Committee meetings and \$900 for all other committee meetings. The Chairman of the Audit Committee additionally received an annual retainer of \$5,000. If both of the Company's and the Bank's Boards of Directors or corresponding committees met on the same day, such Directors received only one fee for the Board meetings and only one fee for the committee meetings. There were no increases in meeting attendance or retainer fees during 2009.

Directors' Retirement Plan. The Company has adopted the Retirement Plan for Board Members of Dime Community Bancshares, Inc. (the "Directors' Retirement Plan"), which provides benefits to each eligible Outside Director commencing on termination of Board service at or after age 65. An eligible Outside Director retiring at or after age 65 will be paid an annual retirement benefit equal to the amount of the aggregate compensation for services as a Director (excluding stock compensation) paid to him or her for the twelve-month period immediately prior to termination of Board service, multiplied by a fraction, the numerator of which is the number of years of service, up to a maximum of 10, as an Outside Director (including service as a Director or trustee of the Bank or any predecessor) and the denominator of which is 10. An individual who terminates Board service after having served as an Outside Director for 10 years may elect to begin collecting benefits under the Directors' Retirement Plan at or after attainment of age 55, however, the annual retirement benefits will be reduced pursuant to an early retirement reduction formula to reflect the commencement of benefit payments prior to age 65. An Outside Director may elect to have benefits distributed in any one of the following forms: (i) a single life annuity; (ii) a 50% or 100% joint and survivor annuity; or (iii) a single life annuity with a 5, 10, or 15 year guaranteed term. In the event that an Outside Director dies prior to the commencement of benefit payments under the Directors' Retirement Plan, a 50% survivor annuity will automatically be paid to his or her surviving spouse, unless the decedent has elected otherwise. This plan was frozen effective March 31, 2005.

2001 Stock Option Plan. The Dime Community Bancshares, Inc. 2001 Stock Option Plan for Outside Directors, Officers and Employees (the "2001 Stock Option Plan") was adopted by the Company's Board of Directors and subsequently approved by its shareholders at its annual meeting held in 2001. At December 31, 2009, there were up to 29,625 stock options eligible for future grant to Outside Directors under the 2001 Stock Option Plan.

2004 Stock Incentive Plan. The Dime Community Bancshares, Inc. 2004 Stock Incentive Plan (the "2004 Stock Incentive Plan") was initially adopted by the Company's Board of Directors and subsequently approved by its shareholders at its annual meeting held in 2004. Amendment Number One to the 2004 Stock Incentive Plan was



adopted by the Company's Board of Directors in March 2008 and subsequently approved by its shareholders at its annual meeting held in 2008. At December 31, 2009, 706,813 shares remained eligible for future grant to either Outside Directors or officers and employees of the Company and its subsidiaries under the 2004 Stock Incentive Plan. These may be granted in the form of either stock options or restricted stock awards, or a combination thereof. On April 30, 2009, a grant of 1,799 restricted stock awards was made to each Outside Director of the Company under the 2004 Stock Incentive Plan, all of which vest on May 1, 2010. In addition on April 30, 2009, a grant of 8,869 options was made to each Outside Director of the Company under the 2004 Stock Incentive Plan, all of which expire on April 30, 2019 and vest to the respective recipients on May 1, 2010.

The following table sets forth information regarding compensation earned by each Outside Director during the year ended December 31, 2009:

## DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash (1)	Stock Awards(2)	Option Awards (3)	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4)	All Other Compensation (5)	Total
Anthony Bergamo	\$61,700	\$15,001	\$15,004	—	\$158,387	\$1,036	\$251,128
George L. Clark, Jr.	55,200	15,001	15,004	—	30,041	1,036	116,282
Steven D. Cohn	59,400	15,001	15,004	—	179,612	1,036	270,053
Patrick E. Curtin	55,200	15,001	15,004	—	129,546	1,036	215,787
Fred P. Fehrenbach	54,300	15,001	15,004	—	12,032	1,036	97,373
John J. Flynn	54,300	15,001	15,004	—	10,997	1,036	96,338
Joseph J. Perry	55,200	15,001	15,004	—	—	1,316	86,521
Omer S. J. Williams	57,900	15,001	15,004	—	—	1,316	89,221

(1) Includes retainer payments, meeting fees, and committee and/or chairmanship fees earned during the year, whether such fees were paid currently or deferred.

(2) Represents the value of the award on the April 30, 2009 grant date, computed as 1,799 shares multiplied by an award value of \$8.34 per share (the Common Stock closing price on April 30, 2009).

(3) Represents the value of the award on the April 30, 2009 grant date, computed as 1,799 shares multiplied by an award value of \$1.691 per share as determined using the Black-Scholes option pricing model. For more information concerning the assumptions used for the option value calculation, please refer to the discussion under the caption "Nature of Operations and Summary of Significant Accounting Policies" in the Note 1 to the audited consolidated financial statements included in the Company's 2009 Annual Report on Form 10-K.

(4) Includes for each individual the increase (if any) for the year in the present value of the individual's accrued benefit (whether or not vested) under each tax-qualified and non-qualified actuarial or defined benefit plan calculated by comparing the present value of each individual's accrued benefit under each such plan in accordance with Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS 158") as of the plan's measurement date in such fiscal year to the present value of the individual's accrued benefit as of the plan's

measurement date in the prior fiscal year.

(5) Amount represents dividends paid on unvested restricted stock awards that were granted on May 30, 2008 and April 30, 2009.

Executive Officers

The following individuals are executive officers of the Company, holding the offices set forth opposite their names:

Name	Position Held
V i n c e n t F . Palagiano	Chairman of the Board and CEO
Michael P. Devine	President and Chief Operating Officer ("COO")
Kenneth J. Mahon	First Executive Vice President ("FEVP") and CFO
Ch r i s t o p h e r D . Maher	Executive Vice President ("EVP") and Chief Retail Officer ("CRO")
Daniel J. Harris	EVP and Chief Lending Officer ("CLO")
Timothy B. King	EVP and Chief Investment Officer ("CIO")
Michael Pucella	EVP and Chief Accounting Officer ("CAO")

The executive officers are elected annually and hold office until their respective successors have been elected and qualified, or until death, resignation or removal by the Board of Directors. The Company has entered into Employment Agreements with certain of its executive officers which set forth the terms of their employment. See "Compensation Discussion and Analysis – Potential Payments Upon Termination and Change of Control."

Biographical information of the executive officers who are not Directors of the Company or Bank is set forth below.

Christopher D. Maher, age 43, joined the Bank as EVP in charge of retail banking in November 2005, and was named an EVP and CRO of the Company in January 2009. Prior to joining the Bank, Mr. Maher was a Senior Vice

President at BISYS Information Services, L.P., a unit of the BISYS Group, Inc., a diversified financial services firm. Mr. Maher's banking experience includes work for several New York City metropolitan area banks, including The Dime Savings Bank of New York, Chemical Bank, and Chatham Savings. Mr. Maher was a Senior Vice President in the Retail Banking division of The Dime Savings Bank of New York, where he served from 1989 through 2000. Mr. Maher is a former Director of the IFX Forum, a financial services technology standards organization and has served as a Trustee for Helen Keller Services for the Blind since 1998.

Daniel J. Harris, age 53, was hired by the Bank in January 2008 as EVP and CLO, and was named an EVP and CLO of the Company in January 2009. Prior to joining the Bank, Mr. Harris served as EVP & Chief Credit Officer at Hudson Valley Bank, a commercial bank and financial services company. Prior to that role, Mr. Harris held senior positions at Credit Re Mortgage Capital, The Greater New York Savings Bank and Dollar Dry Dock Bank. Mr. Harris earned a Juris Doctor from St. John's University and has practiced law, with a specialty in real estate, as an employee of Manufacturers Hanover Trust Co. as well as two New York law firms.

Timothy B. King, age 51, has over 27 years of banking experience, and has been with the Bank since 1983. Mr. King was promoted to Treasurer of the Bank in 1989, Vice President of the Bank in 1993, Treasurer of the Company at its inception in 1995, First Vice President of both the Company and Bank in 1997, Senior Vice President of both the Company and the Bank in 1999 and EVP of both the Company and the Bank in 2008. In 2002, Mr. King was named the CIO of both the Company and Bank, as he oversees the securities investment function of the both the Company and Bank.

Michael Pucella, age 56, was promoted to Comptroller of the Bank in 1989 and of the Company at its inception in 1995, Vice President of both the Company and Bank in 1996, First Vice President of both the Company and Bank in 1997, Senior Vice President of both the Company and the Bank in 1999, and EVP of both the Company and Bank in 2009. He currently serves as the CAO of both the Company and Bank, and is responsible for financial reporting, budgeting, corporate planning and tax administration. Mr. Pucella has been with the Bank since 1981, and has over 35 years of banking experience.

## Compensation Discussion and Analysis

### Introduction

Set forth below are (i) a description of the Company's decision making process for compensating the Named Executive Officers, (ii) a discussion of the background and objectives of the Company's compensation programs for Named Executive Officers, and (iii) a description of the material elements of the compensation of each of the Named Executive Officers.

The descriptions of compensation plans, programs and individual arrangements referred to in the Compensation Discussion and Analysis that are governed by written documents are qualified in their entirety by reference to the full text of their governing documents. Other than broad-based plans applicable to substantially all salaried employees, these documents have been filed as exhibits to the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and are incorporated herein by this reference.

### 1. Objectives

The goal of the executive compensation program is to enable the Company to attract, develop and retain strong executive officers capable of maximizing the Company's performance for the benefit of its shareholders. The Company's compensation philosophy is to provide competitive compensation opportunities that are aligned with its financial performance and the generation of long-term value for shareholders through stock price appreciation, in an appropriate mix of risk and return. To accomplish this goal, the Company sets a base salary to provide a reasonable level of predictable base income and near- and long-term performance-based compensation to provide executives and

officers with clear opportunities to increase the value of their compensation by positive contribution to stockholder interests. The Company seeks to pay competitive salaries by establishing a median pay level approach, with actual pay commensurate with relative performance (See "Material Policies and Procedures - Benchmarking and Survey Data" for further detail regarding the methods used to that end). Annual incentive awards are designed to provide incentives to encourage efforts to attain near-term goals which do not encourage excessive risk taking. Longer term incentive and stock awards provide goals which also align the executive's interest with those of the Company's shareholders and serve to retain executives over the long term. 2009 was a year of economic difficulty as evidenced by the turmoil in the financial services and banking industries. As a result, the Company's continued focus was on retaining and motivating key executives while controlling expense, managing credit issues and maintaining adequate capital.

2. Key Elements of the Compensation Package

In general, The Company's 2009 compensation program for Named Executive Officers consisted of three key elements:

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- base salary to provide a reasonable level of recurring income;
- annual incentives to motivate the Named Executive Officers to achieve short-term operating objectives; and
- long-term incentives designed to retain talented employees and provide an incentive to maximize shareholder return in the longer term.

The Company additionally provides certain retirement plans, termination benefits, fringe benefits and perquisites, in some instances for a large group of employees and in others limited to one or more executives.

**Base Salary.** Executive base salary levels are generally reviewed on an annual basis and adjusted as appropriate. The Company desires to compensate executives fairly while being sensitive to increasing fixed costs in light of the performance of the Common Stock.

For 2009, the Compensation Committee considered the prevailing market conditions and determined, with the input of Mercer Consulting, a nationally recognized compensation consulting firm, to increase the base salary for the Named Executive Officers of the Company.

In 2009, base salary increases for the Named Executive Officers were as follows:

Name	% Increase	Dollar Increase	Resulting Annual Base Salary Rate
Vincent F. Palagiano	N/A	\$-	\$686,000
Michael P. Devine	N/A	\$-	\$541,000
Kenneth J. Mahon	3.6	\$14,000	\$402,000
Christopher D. Maher	3.5	\$11,700	\$335,700
Daniel Harris	6.9	\$20,000	\$310,000

Messrs. Palagiano and Devine waived any salary increase for 2009. Salary decisions for other Named Executive Officers resulted from an assessment of the Company's 2008 performance within the context of a competitive compensation review produced by Mercer Consulting that evaluated corporate performance during 2008. These salary increases were designed to reflect cost of living changes, reward effort and accomplishment in a challenging 2008 operating environment and to assist in the retention of executives directly responsible for managing the Company and the key operating units within the Company. In the case of Mr. Harris, the increase also reflected the decision not to adjust his salary in 2008, his first year of employment with the Company. Overall, base salaries of the Named Executive Officers other than the CEO are positioned between the median and 75th percentile of the thirteen comparable sized and similarly located public banks and thrifts used by Mercer Consulting for comparison of both pay level and corporate performance (the "Comparison Group"). The CEO is slightly below median.

**Annual Incentives.** The Company maintains a formal, shareholder-approved Annual Incentive Plan under which the Named Executive Officers may be awarded the opportunity to earn an annual cash payment based on the degree of achievement of pre-determined, formulaic performance measures. For 2009, however, the Compensation Committee opted for a fully discretionary incentive program under which the incentive payment, if any, paid to each Named Executive Officer was based on a subjective, retrospective review of each executive's individual performance as well as the Company's performance in the context of the business environment that emerged over the course of the year. This approach not only facilitated careful monitoring and control of personnel operating costs but also allowed the Compensation Committee to recognize the quality and timeliness of judgments and initiatives taken by each executive in response to prevailing conditions. In exercising its discretion for 2009, the Compensation Committee took note of the modest decline in reported earnings balanced against the underlying strength of operations reflected in increased core earnings and improved net interest income and net interest margin. It also took account of increasing

credit costs, balanced against managements' efforts to proactively identify and address problem credits as reflected in ratios of non-performing assets to total assets and loan loss reserves to non-performing loans that are superior to industry norms.

For 2009, the Named Executive Officers' bonuses were as follows: Mr. Palagiano, \$334,000; Mr. Devine, \$243,000; Mr. Mahon, \$161,000; Mr. Maher, \$118,000; and Mr. Harris, \$118,000. These bonuses reflected the strong assessment of the Named Executive Officer's management of the Company during a year of economic difficulty as evidenced by the turmoil in the financial services and banking industries. Overall, annual incentives of the Named Executive Officers other than the CFO are positioned below the median of the Comparison Group. The CFO is positioned at the median.

Long-term Incentives. The Compensation Committee believes that grants of long-term incentives in the form of stock options and/or restricted stock are the most effective method, where appropriate, of aligning executive rewards with the creation of value for shareholders through stock appreciation.

In consideration of the Company's performance for the year ended December 31, 2008, the Compensation Committee granted awards of restricted stock and options to the Named Executive Officers after considering Mercer Consulting's assessment of comparable practices at a comparison group of banks as well as Company and individual performance, the 2008 operating environment and competitive market conditions.

In 2009, the following grants of stock options and restricted stock shares were made to the Named Executive Officers:

Name	Total Share Grant	# of Options	# of Shares	Total Value of Grant
Vincent F. Palagiano	-	-	-	-
Michael P. Devine	63,124	38,798	24,326	\$270,500
Kenneth J. Mahon	42,215	25,947	16,268	180,900
Christopher D. Maher	32,902	20,223	12,679	140,995
Daniel Harris	29,452	18,102	11,350	126,211

Overall, long-term incentives of the Named Executive Officers other than the COO are positioned between the median and 75th percentile of the Comparison Group. The COO is at the median.

All of the above grants were made effective April 30, 2009 under the 2001 Stock Option Plan and 2004 Stock Incentive Plan, vest over four years and had a grant date fair value of \$1.743 per option and \$8.34 per restricted stock share. The Company intends to make selective equity awards in the future as part of its ongoing competitive executive compensation program.

The 2008 amendments to the 2004 Stock Incentive Plan increasing the number of shares available provide that Mr. Palagiano is ineligible to receive stock options or awards under that plan. Instead, the Company has adopted a cash-based, multi-year long-term incentive plan in which Mr. Palagiano is eligible to participate. The plan was designed to provide a competitive long-term incentive arrangement instead of the opportunities that Mr. Palagiano would otherwise have received under the 2004 Stock Incentive Plan. The plan enhances overall pay for performance since the value earned relates directly to the Company's performance on selected key metrics. The period for measurement of the grant awarded for 2009 is January 1, 2009 through December 31, 2011. The plan sets an incentive target for this period of 62.5% of base salary of \$686,000, and a range of payout levels for this period as follows: threshold payout level represents a payment of 50% of the target \$214,375 and is paid for a baseline level of acceptable performance to receive any award; target payout represents a payment of 100% of target \$428,750 and is paid for performance at expectation; and maximum payout represents a payment of 150% of target \$643,125 and is paid for exceptional performance. The criteria for payment for this period are based on performance relative to peer companies and are weighted as follows: 50% weight is given to Total Shareholder Return ("TSR") relative to peers for the measurement period, 25% weight is given to cumulative core earnings per share versus internal standard and 25% weight is given to reported GAAP return on equity versus internal standard. The peer group companies for 2009 are discussed below under "Material Policies and Procedures." The Committee does not have discretion to reduce or increase the size of the payout or to award compensation if the goals are not met.

Payment will be made in cash in the first quarter of 2012 if Mr. Palagiano is employed on December 31, 2011. If Mr. Palagiano's employment terminates prior to that date due to death, disability or retirement, the Company's obligation will be prorated for performance as of the effective date of the termination and paid at the end of the performance period unless the Compensation Committee has determined otherwise. The Compensation Committee may provide for immediate payout in the case of death. In the event of a change of control, performance will be assessed through the



end of the change of control date and prorated payment made as soon as possible after that date. If the actual performance results cannot be calculated, the target will be used.

Other Elements of the Executive Compensation Package. The Company's compensation program for Named Executive Officers consisted of the following additional elements:

Retirement Plan – The Bank maintains the Retirement Plan of The Dime Savings Bank of Williamsburgh (the “Retirement Plan”), a noncontributory, tax-qualified defined benefit pension plan for eligible employees; however, all participant benefits under the Retirement Plan were frozen in March of 2000, and no benefits have been accrued under the Retirement Plan since that date.

401(k) Plan – The Bank maintains the 401(k) Plan, which is a tax-qualified defined contribution plan permitting salaried employees with at least one year of service to make pre-tax salary deferrals under Section 401(k)

of the Internal Revenue Code of 1986 (the “Code”). Each participant receives a fully vested contribution of 3% of “covered compensation” as defined in the 401(k) Plan, up to applicable Internal Revenue Service (“IRS”) limits. The 3% contribution was required through 2006 and is discretionary in years after 2006.

ESOP – The Company has established, and the Bank has adopted, the ESOP and related trust for the benefit of eligible employees. All of the Company’s and the Bank’s salaried employees are eligible to become participants in the ESOP after one year of employment.

BMP – The Bank maintains a BMP, which provides eligible employees with benefits that would be due under the Retirement Plan, ESOP and 401(k) Plan, if such benefits were not limited under the Code. Effective January 1, 2005, the BMP benefit accruals associated with the 401(k) Plan and ESOP were terminated; therefore, no BMP benefits were provided to the Named Executive Officers for the year ended December 31, 2009 with respect to the 401(k) Plan and ESOP. Effective April 1, 2000, Retirement Plan benefit accruals were terminated, thus eliminating related benefit accruals under the BMP. However, the present value of such benefits continues to increase as the Named Executive Officers approach normal retirement age. These increases in present value are reported in the Summary Compensation Table under the column Change in Pension Value and Nonqualified Deferred Compensation Earnings.

2001 Stock Option Plan – The Company’s Board of Directors adopted the 2001 Stock Option Plan, which was approved by the Company’s shareholders at their 2001 annual meeting. At December 31, 2009, there were up to 60,227 stock options eligible for future grant under the 2001 Stock Option Plan, of which up to 29,625 were eligible for future grant to Outside Directors and 30,602 were eligible for future grant to officers and employees of the Company or its subsidiaries. Under the terms of the 2001 Stock Option Plan, the eligible grant amounts may be increased by the amount of options granted under the 2001 Stock Option Plan that are subsequently forfeited by the recipient. All grants made prior to December 30, 2005 under the 2001 Stock Option Plan vested as of December 30, 2005.

2004 Stock Incentive Plan – The Company’s Board of Directors has adopted the 2004 Stock Incentive Plan, which was approved by the Company’s shareholders at their 2004 annual meeting and additional shares were approved by shareholders at their 2008 annual meeting. At December 31, 2009, up to 706,813 shares remained eligible for future grant to either Outside Directors or officers and employees of the Company and its subsidiaries under the 2004 Stock Incentive Plan. All of these may be granted in the form of stock options, while up to 510,900 shares may be granted as restricted stock awards. Under the terms of the 2004 Stock Incentive Plan, the eligible grant amount may be increased by the amount of shares granted under the 2004 Stock Incentive Plan that are subsequently forfeited by the recipient. All grants made prior to December 30, 2005 under the 2004 Stock Incentive Plan vested as of December 30, 2005.

Perquisites – Certain Named Executive Officers are provided with modest perquisites, including use of a company car and professional financial planning and tax preparation services. The Company provides these benefits in kind, but the Compensation Committee considers the cost of these items in establishing the other elements of compensation. The Company provides these benefits because they are usual and customary in the industry.

Potential Payments Upon Termination and Change of Control – The Company believes it is in its best interests to provide severance benefits to the Named Executive Officers in the event of their termination of employment under certain circumstances. Specifically, Messrs. Palagiano, Mahon and Devine are entitled to severance benefits upon their termination of employment by the Company without cause, their resignation for good reason or the occurrence of a change of control during their employment period. Messrs. Maher and Harris have been provided with change of control agreements that provide severance benefits that are payable only upon a change of control and their termination of employment by the Company or its successors without cause or their resignation for good reason, in each case, within certain periods following or preceding a change of control. The Company and Bank have determined that these types of protections are required in order to retain talented and qualified executive officers. It has been determined that a more comprehensive employment agreement with change of control triggers is necessary to retain the senior executive officers (Messrs. Palagiano, Devine and Mahon).

Employment Agreements and Change in Control Agreements. Consistent with the practices of other financial institutions of similar size and business mix in the greater New York metropolitan area, the Company and Bank have entered into employment or change in control severance agreements with each of their executive officers. The Company considers these arrangements important retention devices. They also provide a measure of financial security for executive officers so that, when faced with the prospect of a negotiated or unsolicited merger opportunity, they can focus on the business of the Company with reduced personal distractions. The Company periodically reviews the terms of these agreements against the publicly disclosed terms and conditions of contracts in place at other institutions and compares their projected costs to those disclosed for similar contracts in the merger proxy

statements in recent financial institution mergers. The Company conducted such a review in 2007.

The employment agreements and change in control agreements were amended and restated in 2008 to include provisions required to comply with Section 409A of the Code. Generally, under these provisions, if the Named Executive Officer is a “specified employee” under Section 409A, payments upon certain terminations of employment will be paid on the first day of the seventh month after termination of employment.

Employment Agreements for Messrs. Palagiano, Devine and Mahon. The Company and the Bank are parties to employment agreements (“Employment Agreements”) with each of Messrs. Palagiano, Devine and Mahon (“Senior Executives”). These Employment Agreements establish the respective duties and compensation of the Senior Executives and are intended to ensure that both the Company and Bank will be able to maintain a stable and competent management base. The continued success of the Company and Bank depend to a significant degree on the skills and competence of the Senior Executives.

The Employment Agreements provide for three-year terms. The Bank’s Employment Agreements provide that, prior to the first anniversary date and continuing each anniversary date thereafter, the Bank’s Board of Directors may agree, after conducting a performance evaluation of the Senior Executive, to extend his Employment Agreement for an additional year, so that the remaining term shall be three years. Each of the Bank’s Employment Agreements has been extended to a December 31, 2011 expiration date. The Company’s Employment Agreements provide for automatic daily extensions unless written notice of non-renewal is provided by the Board of Directors or the Senior Executive, in which event the Employment Agreement shall end on the third anniversary of such notice.

The Employment Agreements provide for termination by the Bank or the Company at any time for cause as defined in the Employment Agreements. In the event that either the Company or Bank chooses to terminate a Senior Executive’s employment other than for cause, or a Senior Executive resigns from the Bank or Company for “good reason” as defined in the Employment Agreements, the Senior Executive or, in the event of death, his beneficiary, would be entitled to a lump sum cash payment in an amount equal to the remaining base salary and bonus payments due to the Senior Executive and the additional contributions or benefits that would have been earned under any employee benefit plans during the remaining term of the Employment Agreement and payments that would have been made under any incentive compensation plan during the remaining term of the Employment Agreement. The Senior Executive would also have the right to receive a lump sum cash payment of benefits to which the Senior Executive would have been entitled under the BMP. Both the Bank and Company would also continue the Senior Executive’s life, health and disability insurance coverage for the remaining term of the Employment Agreement. For purposes of the Employment Agreements, “good reason” generally means (i) assignment of duties inconsistent with the Senior Executive’s status or a substantial adverse alteration in the nature or status of responsibilities or a requirement to report to a different position, (ii) reduction in annual base salary (unless mandated at the initiation of applicable regulatory authority), (iii) failure to pay compensation or deferred compensation within seven days of when due unless inadvertent, immaterial or cured after notice, (iv) failure to continue in effect compensation plans material to total compensation (or substitute plans) with respect to the Senior Executive, (v) failure to continue to provide certain benefits or materially maintain benefits (unless mandated at the initiation of applicable regulatory authority), (vi) failure of the Bank to obtain satisfactory agreement from a successor to assume and agree to perform the Employment Agreements, (vii) any purported termination by the Bank not for cause or disability, (viii) any or no reason during the period of sixty days beginning on the first anniversary of the effective date of a change of control, as defined in the Employment Agreement, (ix) a change in the majority of the Board, unless approved by a vote of at least two-thirds of the members of the Board at the time the Employment Agreements were entered into or members elected or nominated by such members, (x) a relocation of the Senior Executive’s principal place of employment outside of the New York metropolitan area, or (xi) a material breach of the Employment Agreements, unless cured within 30 days.

In general, for purposes of the Employment Agreements, a “change of control” will be deemed to occur when a person or group of persons acting in concert acquires beneficial ownership of 25% or more of any class of equity security,

such as the Common Stock, or in connection with mergers or consolidations of assets or a contested election of Directors which results in a change of control of the majority of the Company's or Bank's Board of Directors or liquidation or sale of substantially all the assets of the Company or Bank. In the event of a change in control of the Company or Bank, the Company's Employment Agreements provide that (1) the term of employment will be converted to a fixed two year period beginning on the date of the change in control, and (2) if the Senior Executive signs a release of any further rights under his Employment Agreement with the Bank, an immediate lump sum payment will be paid (whether or not employment has terminated) equal to the present value of three years salary, bonus and fringe benefits plus an additional lump sum equal to the present value  $x$  minus  $y$ , where  $x$  is a specified target pension for each Senior Executive and  $y$  is the actual pension benefits due to the Senior Executive under the Bank's and the Company's qualified and nonqualified defined benefit pension plans. The target pension is  $26\frac{2}{3}\%$  of highest aggregate salary and bonus for Mr. Palagiano;  $25\%$  of highest aggregate salary and bonus for Mr. Devine; and  $16\frac{2}{3}\%$  of highest aggregate salary and bonus for Mr. Mahon. Highest aggregate salary and bonus for this purpose is the highest salary and bonus for the three consecutive years during the final 10 years of employment for which the aggregate is the highest.

Payments to the Senior Executives under the Bank's Employment Agreements are guaranteed by the Company in the event that payments or benefits are not paid by the Bank. The Company will make all payments under its own Employment Agreements. To the extent that payments under the Company's Employment Agreements and the Bank's Employment Agreements are duplicative, payments due under the Company's Employment Agreements would be offset by amounts actually paid by the Bank. Senior Executives would be entitled to reimbursement of certain costs incurred in interpreting or enforcing the Employment Agreements up to \$50,000 for each Senior Executive.

Cash and benefits paid to a Senior Executive under the Employment Agreements together with payments under other benefit plans following a change of control of the Bank or Company may constitute an "excess parachute" payment under Section 280G of the Code, resulting in the imposition of a 20% excise tax on the recipient and the denial of the deduction for such excess amounts to the Company and the Bank. The Company's Employment Agreements include a provision indemnifying each Senior Executive on an after-tax basis for any "excess parachute" excise taxes.

Employee Retention Agreements for Messrs. Maher and Harris. The Bank has, jointly with the Company, entered into Employee Retention Agreements ("Retention Agreements") with Messrs. Maher and Harris (each a "Contract Employee" or together "Contract Employees"). The purpose of the Retention Agreements is to secure the Contract Employees' continued availability and attention to the Bank's affairs, relieved of distractions arising from the possibility of a change of control, as defined in the Retention Agreements. The Retention Agreements do not impose an obligation on the Bank to continue the Contract Employees' employment, but provide for a period of assured compensation (the "Assurance Period") following a change of control. The Retention Agreement for Mr. Maher contains an Assurance Period of three years. The Retention Agreement for Mr. Harris initially contained an Assurance Period of two years and was amended March 19, 2009 to provide for an Assurance Period of three years. The applicable Assurance Periods for the present agreements with Mr. Maher and Mr. Harris will be automatically extended on a daily basis under the Retention Agreements until written notice of non-extension is provided by the Bank or the Contract Employee. Both Retention Agreements expire as of December 31, 2011, on which date, or prior thereto, the Bank may choose to extend either or both Retention Agreements.

If, during the Assurance Period, or prior to commencement of the Assurance Period but within three months of and in connection with a change of control (as defined in the Retention Agreements), a Contract Employee is discharged without "cause" (as defined in the Retention Agreements) or voluntarily resigns within ninety days following: (i) a failure to appoint or elect the Contract Employee to the same position in which he was serving; (ii) a material failure, after notice, to vest in the Contract Employee his responsibilities on the day before the Assurance Period commenced (or the functions, duties and responsibilities of a more senior office to which he may be appointed); (iii) a failure of the Bank to cure a material breach of the Retention Agreement after notice; (iv) a reduction in compensation or a material reduction in benefits; or (v) relocation of the Contract Employee's principal place of employment which results in certain adverse commuting increases, the Contract Employee (or, in the event of his death, his estate) would be entitled to, subject to certain restrictions, (a) continued group life, health, accident and long-term disability insurance benefits for the unexpired Assurance Period, (b) a lump sum cash payment equal to the remaining base salary (present value) and bonus payments the Contract Employee would have earned during the unexpired Assurance Period, and (c) any additional contributions and benefits that the Contract Employee would have earned under the Bank's or the Company's employee benefit plans during the unexpired Assurance Period.

The cash and benefits paid under the Retention Agreements, together with payments under other benefit plans following a "change of control," may constitute an "excess parachute" payment under Section 280G of the Code, resulting in the imposition of a 20% excise tax on the recipient and the denial of the deduction for such excess amounts to the Company and Bank under Section 4999 of the Code. The Retention Agreements include a provision whereby the Company pays Messrs. Maher and Harris the net amount of their termination benefits after any tax imposed under Section 4999 of the Code or the maximum amount which may be paid without giving rise to any tax under Section 4999, whichever is greater. Payments to Messrs. Maher and Harris under their respective Retention Agreements are guaranteed by the Company to the extent that the required payments are not made by the Bank.

3. Material Policies and Procedures

Benchmarking and Survey Data. The Compensation Committee utilizes legal counsel and a nationally recognized compensation consulting firm, Mercer Consulting, to assist in performing its duties. The Committee relies on legal counsel to advise on its obligations under applicable corporate, securities and employment laws, to assist in interpreting the Company's obligations under compensation plans and agreements, and to draft plans and agreements to document business decisions. The consulting firm regularly analyzes the Company's executive pay levels, by each of the three key elements cited and in total, and the Company's performance. The Comparison Group is used for comparison of both pay level and corporate performance. The companies included in this group are the same companies as in 2008. For 2009, the Comparison Group consisted of New York Community Bancorp, Astoria Financial Corporation, Valley National Bancorp, First Niagara Financial Group Inc., New Alliance Bancshares Inc., Provident Financial Services Inc., Investors Bancorp Inc., Signature Bank, Sun Bancorp Inc., Flushing Financial Corp, OceanFirst

Financial Corporation, Sterling Bancorp and Smithtown Bancorp Inc. The Compensation Committee uses this analysis to assist it in understanding market practices and trends and to develop and evaluate the effectiveness of recommended performance-linked compensation strategies. Generally, the Compensation Committee endorses a median pay level approach, with actual pay commensurate with relative performance. To that end, the flexibility provided by the bonus program permits the Compensation Committee to take market conditions into account each year.

#### Impact of Accounting and Tax Treatment.

Section 162(m) – Section 162(m) of the Code imposes a \$1,000,000 annual limit per executive officer on the Company's federal tax deduction for certain types of compensation paid to the Named Executive Officers. It has been the Compensation Committee's practice to structure the compensation and benefit programs offered to the Named Executive Officers with a view to maximizing the tax deductibility of amounts paid. However, in structuring compensation programs and making compensation decisions, the Compensation Committee considers a variety of factors, including the Company's tax position, the materiality of the payments and tax deductions involved, and the need for flexibility to address unforeseen circumstances. After considering these factors, the Compensation Committee may decide to authorize payments all or part of which would be nondeductible for federal tax purposes. It is anticipated that any compensation for 2009 that is rendered non-deductible by this limit will not have a material effect. Payments made on account of a change of control under the agreements described above might include non-deductible payments.

Sections 4999 and 280G – Section 4999 of the Code imposes a 20% excise tax on certain "excess parachute payments" made to "disqualified individuals." Under section 280G of the Code, such excess parachute payments are also nondeductible to the Company. If payments that are contingent on a change of control to a disqualified individual (which includes the Named Executive Officers) exceed three times the individual's "base amount," they constitute "excess parachute payments" to the extent they exceed one time the individual's base amount.

Pursuant to the Employment Agreements and Retention Agreements, the Company or Bank will reimburse the Named Executive Officers for the amount of the excise tax, if any, and make an additional gross-up payment so that, after payment of the excise tax and all income and excise taxes imposed on the reimbursement and gross-up payments, the Named Executive Officer would retain approximately the same net after-tax amounts under the Employment Agreement or Retention Agreement that he would have retained if there was no excise tax. Neither the Bank nor the Company is permitted to claim a federal income tax deduction for the portion of the change of control payment that constitutes an excess parachute payment, the excise tax reimbursement payment or the gross-up payment.

Accounting Considerations. The Compensation Committee is informed of the financial statement implications of the elements of the Named Executive Officer compensation program. However, the probable contribution of a compensation element to the objectives of the Company's Named Executive Officer compensation program and its projected economic cost, which may or may not be reflected on the Company's financial statements, are the primary drivers of Named Executive Officer compensation decisions.

Risk. The Company's compensation program is designed to mitigate risk by (1) providing non-performance-based salaries, retirement and fringe benefits that permit executives to pay living expenses and plan for the future without reliance on incentives, (2) incorporating cash incentives to reward current successes, and (3) including long-term incentives in the form of restricted stock and stock options to maintain focus on long-term shareholder value. The Compensation Committee exercises substantial discretion in awarding annual incentives, including a retrospective assessment of management's performance in light of prevailing business conditions, to discourage excessive focus on formulaic goals. Management stock ownership requirements and equity-based retirement benefits provided through the Company's tax-qualified ESOP and related BMP assure that management retains a significant financial interest in the long-term performance of the Common Stock, and sensitivity to the potential long-term effects of short-term business strategies, throughout their tenure with the Company. The Company believes these features recognize a



balance between the need to accept risk exposure in the successful operation of its business and the need to identify and prudently manage such risks.

#### Compensation Committee Report

The following Report of the Company's Compensation Committee is provided in accordance with the rules and regulations of the SEC.

Under the rules promulgated by the SEC, the Company is required to provide certain data and information regarding the activities of its Compensation Committee. In fulfillment of this requirement, the Compensation Committee, at the discretion of the Board, has prepared the following report for inclusion in the Proxy Statement.

1. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management; and

2. Based on the review and discussions referred to in paragraph 1 above, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement on Schedule 14A for the 2010 Annual Meeting of Shareholders.

COMPENSATION COMMITTEE OF  
DIME COMMUNITY BANCSHARES, INC.

Anthony Bergamo, (Chairman)

Fred P. Fehrenbach

John J. Flynn, Member

Joseph J. Perry, Member

Compensation Committee Interlocks and Insider Participation

The Compensation Committee consists of Messrs. Bergamo, Fehrenbach, Flynn and Perry. There are no interlocks, as defined under the rules and regulations of the SEC, between the Company and the members of the Compensation Committee and corporations with respect to which they are affiliated, or otherwise.

COMPENSATION

Executive Compensation

The following table provides information about the compensation paid for services rendered in all capacities during 2009 by the Named Executive Officers.

SUMMARY COMPENSATION TABLE

Name and Principal Positions	Year	Salary		Stock Awards (1)(2)	Option Awards (3)	Non-Equity Incentive Plan Compensation (4)	Change in Pension Value and Nonqualified Deferred Earnings (5)	All Other Compensation (6)	Total
		(1)	(2)						
Vincent F. Palagiano, Chairman of the Board and CEO	2009	\$686,000	\$334,000	\$—	\$-	\$—	\$208,720	\$62,019	\$1,290,739
	2008	686,000	225,000	—	-	—	—	69,327	980,327
	2007	665,600	225,000	—	675,000	—	—	65,464	1,631,064
Michael P. Devine, President and COO	2009	\$541,000	\$243,000	\$202,875	\$67,625	—	\$488,941	\$57,916	\$1,601,357
	2008	541,000	170,000	\$202,875	\$67,625	—	130,859	31,639	1,143,998
	2007	525,200	170,000	—	459,000	—	119,402	30,910	1,304,512
Kenneth J. Mahon	2009	\$402,000	\$161,000	\$135,675	\$45,225	—	\$193,318	\$48,462	\$985,680

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FEVP and CFO	2008	388,000	127,000	130,950	43,650	—	32,653	28,173	750,426
	2007	376,480	127,000		—	283,500	29,906	27,542	844,428
Christopher D. Maher,									
	2009	\$335,700	\$118,000	\$105,746	\$35,249	—	—	\$29,557	\$624,252
EVP and CRO	2008	324,000	94,000	102,060	34,020	—	—	23,956	578,036
	2007	312,000	94,000	-	183,600	—	—	22,901	612,501
Daniel J. Harris	2009	\$310,000	\$118,000	\$94,658	31,553	—	—	\$19,388	\$573,559
EVP and CLO	2008	290,000	100,000	\$91,350	140,450	—	—	110,000	731,800

(1) The figures shown for salary and bonus represent amounts earned for the fiscal year, whether or not actually paid during such year, and include amounts deferred pursuant to non-incentive deferred compensation plans and amounts of salary or bonus earned but deferred on a voluntary basis in exchange for awards of restricted stock, stock options or other forms of non-cash compensation. The 2008 salary amount shown for Daniel Harris represents the base salary earned from his commencement as an employee of the Company on January 28, 2008 through December 31, 2008.

(2) The amounts represent the grant date fair market value of the awards determined on the basis of the assumptions and methodology set forth in the notes to the Company's consolidated financial statements set forth in the Company's 2009 Annual Report on Form 10-K filed with the SEC on March 12, 2010. This amount does not reflect the value of dividends paid on unvested restricted stock, which is included in the Summary Compensation Table under the caption "All Other Compensation" if it exceeds \$10,000 for an individual Named Executive Officer.

(3) The amounts represent the grant date fair market value of the awards determined on the basis of the assumptions and methodology set forth in Note 15 to the Company's consolidated financial statements set forth in the Company's 2009 Annual Report on Form 10-K filed with the SEC on March 12, 2010. For more information concerning the assumptions used for these calculations, please refer to the discussion under the caption "Nature of Operations and Summary of Significant Accounting Policies" in the notes to the audited consolidated financial statements included in the Company's 2009 Annual Report on Form 10-K.

(4) Amount represents cash payments made to Mr. Palagiano under the Long Term Cash Incentive Payment Plan in the respective year. Please see the section entitled "Compensation Plans – Long-Term Cash Incentive Payment Plan" commencing on page 20 for a discussion of the Long Term Cash Incentive Payment Plan.

(5) Includes for each Named Executive Officer (a) the increase (if any) for the fiscal year in the present value of the individual's accrued benefit (whether or not vested) under the Retirement Plan and BMP calculated by comparing the present value of each individual's accrued benefit under each such plan in accordance with SFAS 158 as of the plan's measurement date in such fiscal year to the present value of the individual's accrued benefit as of the plan's measurement date in the prior fiscal year, plus (b) the amount of interest accrued on defined contribution deferred compensation balances at a rate in excess of 120% of the applicable federal long-term rate under section 1274(d) of the Code. Mr. Palagiano experienced year-to-year declines in the actuarial value of his accrued benefits under defined benefit or actuarial plans that are not reflected in the reported figures totaling \$55,025 in 2008 and \$52,509 in 2007.

(6) The Named Executive Officers participate in certain group life, health, and disability insurance and medical reimbursement plans not disclosed in the Summary Compensation Table, that are generally available to salaried employees and do not discriminate in scope, terms and operation. The figure shown for each Named Executive Officer includes the following items exceeding \$10,000 in value:

Name	Year	Life Insurance Premiums	Automobile	401(k) Plan Employer Cash Contribution	ESOP Allocation (a)	Other	Total
Vincent F. Palagiano	2009	\$30,825	\$14,227	\$7,350	\$9,618	-	\$62,019
	2008	30,210	16,883	6,900	15,334	-	69,327
	2007	29,999	14,086	6,750	14,629	-	65,464
Michael P. Devine	2009	\$9,754	\$14,403	\$7,350	\$9,618	\$16,791(b)	\$57,916
	2008	9,405	-	6,900	15,334	-	31,639
	2007	9,531	-	6,750	14,629	-	30,910
Kenneth J. Mahon	2009	\$6,197	\$14,282	\$7,350	\$9,618	\$11,015(b)	\$48,462
	2008	5,939	-	6,900	15,334	-	28,173
	2007	6,163	-	6,750	14,629	-	27,542
Christopher D. Maher	2009	\$1,755	-	\$7,350	\$9,618	\$10,834(b)	\$29,557
	2008	1,722	-	6,900	15,334	-	23,956
	2007	1,522	-	6,750	14,629	-	22,901
Daniel J. Harris	2009	\$2,420	-	\$7,350	\$9,618	-	\$19,388
	2008	-	-	-	-	\$110,000(c)	110,000

(a) The amount reported for ESOP allocation was determined based upon the average price of the Common Stock of \$10.42 per share in 2009, \$15.89 per share in 2008, and \$13.36 per share during 2007 (See Notes 1 and 15 to the audited consolidated financial statements in the Company's 2009 Annual Report on Form 10-K, which discusses the manner in which ESOP expense is recognized).

(b) Amount represents dividends paid on unvested restricted stock awards during 2009, and were excluded to the extent that they did not exceed \$10,000 in the aggregate for an individual Named Executive Officer during the reporting periods presented.

(c) Amount represents a cash remuneration paid to Mr. Harris on February 15, 2008 to reimburse compensation and benefits he forfeited with his previous employer.

The Company or Bank provides certain non-cash perquisites and personal benefits to each Named Executive Officer that do not exceed \$10,000 in the aggregate for any individual, and are not included in the reported figures.

#### Compensation Plans

**Retirement Plan.** The Bank maintains the Retirement Plan, a non-contributory, tax-qualified defined benefit pension plan for eligible employees. All salaried employees at least age 21 who have completed a minimum of one year of service are eligible to participate in the Retirement Plan. The Retirement Plan provides for a benefit for each participant, including the Named Executive Officers, equal to 2% of the participant's average annual earnings multiplied by the participant's years (and any fraction thereof) of eligible employment (up to a maximum of 30 years). Such benefit is not reduced by a Social Security offset. A participant is fully vested in his or her benefit under the Retirement Plan after five years of service. The Retirement Plan is funded by the Bank on an actuarial basis and all assets are held in trust by the Retirement Plan trustee. Effective March 31, 2000, all participant benefits under the Retirement Plan were frozen, and no benefits have been accrued under the Retirement Plan since that date.

There are currently no benefits earned by the Named Executive Officers under the Retirement Plan.

**401(k) Plan.** The Bank maintains the 401(k) Plan, which is a tax-qualified defined contribution plan permitting salaried employees with at least one year of service to make pre-tax salary deferrals under Section 401(k) of the Code.

Under a 401(k) Plan amendment effective July 1, 2000, the 401(k) Plan annually received the proceeds from a 100% vested cash contribution to all participants in the ESOP in the amount of 3% of "covered compensation" as defined in the 401(k) Plan, up to applicable IRS limits. This contribution, which was guaranteed through December 31, 2006 and has been made on a discretionary basis thereafter, was allocated to eligible participants regardless of their participant contribution level.

The 401(k) Plan permits participating employees to elect to invest all or any part of their 401(k) Plan account balances in Common Stock. Common Stock held by the 401(k) Plan may be newly issued shares or outstanding shares purchased on the open market or in privately negotiated transactions. All Common Stock held by the 401(k) Plan is held by an independent trustee and allocated to the accounts of individual participants. Participants control the exercise of voting and investment rights relating to Common Stock held in their accounts.

ESOP. The Company has established, and the Bank has adopted, the ESOP and related trust for the benefit of eligible employees. All of the salaried employees of the Company and its subsidiaries are eligible to become participants in the ESOP. As of the Record Date, the ESOP held 3,288,113 shares of Common Stock, all of which were purchased during the Company's initial public offering. Of this total, 2,037,641 shares were allocated to individual participant accounts, while 1,250,472 remained unallocated. In order to fund the ESOP's purchase of such Common Stock, the ESOP borrowed the aggregate purchase price from the Company. Effective July 1, 2000, the loan maturity period was extended by approximately 20 years from June 2006 to June 2026, and it continues to bear interest at the rate of 8% per annum. The loan calls for level annual payments of principal and interest designed to amortize the loan over its term, except that payments in any year may be deferred, in whole or in part, in prescribed circumstances. Prepayments are also permitted.

Shares purchased by the ESOP were pledged as collateral for the loan from the Company and are held in a suspense account until released for allocation among participants in the ESOP as the loan is repaid. The pledged shares will be released annually from the suspense account in an amount proportional to the repayment of the ESOP loan for each plan year. The released shares will be allocated among the accounts of participants on the basis of the participant's compensation for the calendar year preceding allocation. Benefits generally become vested at the rate of 25% per year after two years with 100% vesting after five years of service. Participants become immediately vested upon termination of employment due to death, retirement at age 65, permanent disability or the occurrence of a "change of control," as defined by the ESOP. Forfeitures will be utilized to reduce the contribution required by the Bank. Vested benefits may be paid in a single payment of cash or shares of Common Stock or installment payments of cash and are payable upon death, retirement at age 65, disability or separation from service.

BMP. The BMP provides eligible employees with benefits that would be due under the Retirement Plan, ESOP and 401(k) Plan, if such benefits were not limited under the Code. BMP benefits provided to the Named Executive Officers for the year ended December 31, 2008 with respect to the 401(k) Plan and ESOP are included in the Summary Compensation Table under the column "All Other Compensation" (See "Compensation - Executive Compensation"). Effective April 1, 2000, Retirement Plan benefit accruals were terminated, thus eliminating related benefit accruals under the BMP. Effective January 1, 2005, the BMP benefit accruals associated with the 401(k) Plan and ESOP were terminated for Messrs. Palagiano, Devine and Mahon. Effective January 1, 2008, the BMP was amended to provide for a payout of all benefits under the plan on the occurrence of a change in control (within the meaning of Section 409A) in a single lump sum. Effective December 31, 2008, the Company amended the BMP in order to bring it in full compliance with Section 409A.

There were no benefits earned by the Named Executive Officers under the BMP in 2009.

Long Term Cash Incentive Payment Plan - Pursuant to an amendment to the 2004 Stock Incentive Plan, the Chairman of the Board and CEO is no longer eligible for equity awards thereunder.

On October 16, 2008, pursuant to authority granted under the Dime Community Bancshares, Inc. Annual Incentive Plan (the "AIP"), the Compensation Committee made an incentive award to Mr. Palagiano in lieu of an equity award under the Company's 2004 Stock Incentive Plan.

The threshold, target and maximum award opportunities are \$214,375, \$428,750 and \$643,125, respectively, and are earned based on performance relative to three performance goals measured over the period beginning August 1, 2008 and ending December 31, 2010. The three performance measures and their relative weight are as follows:

Goal	Weight	Threshold	Target	Maximum
TSR Relative to Compensation Peer Group	50%	40th Percentile	50th Percentile	>74th Percentile
Cumulative Core Earnings per Share	25%	\$2.23	\$2.48	\$2.73
GAAP Return on Equity	25%	10.3%	12.1%	13.9%

On March 19, 2009, pursuant to authority granted under the AIP, the Compensation Committee made an additional incentive award to Mr. Palagiano in lieu of an equity award under the 2004 Stock Incentive Plan. The threshold, target and maximum award opportunities are \$214,375, \$428,750 and \$643,125, respectively, and are earned based on performance relative to three performance goals measured over the period beginning January 1, 2009 and ending December 31, 2011. The award will be paid in full during the year ending December 31, 2012. The three performance measures and their relative weights are as follows:

Goal	Weight	Threshold	Target	Maximum
TSR Relative to Compensation Peer Group	50%	40th Percentile	50th Percentile	>74th Percentile
Cumulative Core Earnings per Share	25%	\$2.36	\$2.62	\$2.88
GAAP Return on Equity	25%	8.4%	9.85%	11.3%

At December 31, 2009, based upon actual results for the period August 1, 2008 through December 31, 2009, the Company determined that the Target payment has the greatest probability of ultimately being made on both of these awards, and thus established a reserve of \$393,865 related to these future award payments. During the years ended December 31, 2009 and 2008, total expense recognized related to these awards were \$318,086 and \$75,779 respectively.

**2001 Stock Option Plan.** The Company's Board of Directors has adopted the 2001 Stock Option Plan, which was approved by the Company's shareholders at their annual meeting held in 2001. At December 31, 2009, there were up to 60,227 stock options eligible for future grant under the 2001 Stock Option Plan, of which up to 29,625 were eligible for future grant to Outside Directors and 30,602 were eligible for future grant to officers and employees of the Company or its subsidiaries. Under the terms of the 2001 Stock Option Plan, the eligible grant amounts may be increased by the amount of options granted under the 2001 Stock Option Plan that are subsequently forfeited by the recipient. As of the Record Date, 2,071,738 stock options were granted to Outside Directors, officers and employees of the Company or its subsidiaries, of which 1,617,985 were outstanding and 1,555,715 were exercisable. On March 3, 2008, a grant of 34,425 stock options was made to Mr. Harris under the 2001 Stock Option Plan. All of these options expire on May 1, 2018 and 25% vested on May 1, 2009, with the remainder vesting in equal 25% installments on May 1, 2010, 2011 and 2012, respectively. On April 30, 2009, 36,451 options were granted to certain officers under the 2001 Stock Option Plan. All of these options expire on April 30, 2019, and vest to the recipient in equal installments on May 1, 2010, 2011, 2012, and 2013, respectively. All options currently granted under the 2001 Stock Option Plan are subject to earlier expiration in the event of termination of employment. In the case of termination due to death, disability, retirement, or under a "change of control," as defined by the 2001 Stock Option Plan, all options become immediately vested. Options granted under the 2001 Stock Option Plan are intended to qualify as "incentive stock options" under Section 422 of the Code.

**2004 Stock Incentive Plan.** The Company's Board of Directors has adopted the 2004 Stock Incentive Plan, which was approved by the Company's shareholders at their annual meeting held in 2004. At December 31, 2009, up to 706,813 shares remained eligible for future grant to either Outside Directors or officers and employees of the Company and its subsidiaries under the 2004 Stock Incentive Plan. All of these may be granted in the form of stock options, while up to 510,900 shares may be granted as restricted stock awards. Under the terms of the 2004 Stock Incentive Plan, the eligible grant amounts may be increased by the amount of shares granted under the 2004 Stock Incentive Plan that are subsequently forfeited by the recipient. The Compensation Committee of the Board of Directors administers the 2004 Stock Incentive Plan and authorizes all equity grants. All equity grants under the 2004 Stock Incentive Plan fully vest in the event of a change in control. On March 17, 2005, a grant of restricted stock awards was made to Named Executive Officers as follows: Mr. Palagiano - 14,193 shares; Mr. Devine - 9,032 shares; and Mr. Mahon - 4,967 shares. These restricted stock awards vested in equal 25% installments on May 1, 2006, 2007, 2008 and 2009. On January 3, 2006, a grant of 10,000 shares of restricted stock was awarded to Mr. Maher, which vested in equal 20% installments on February 1, 2007, 2008, 2009 and 2010, with the remainder vesting on February 1, 2011. On May 1,



2007, a grant of stock options was made to Named Executive Officers as follows: Mr. Palagiano - 250,000 shares; Mr. Devine - 170,000 shares; Mr. Mahon - 105,000 shares; and Mr. Maher - 68,000 shares. All of these options expire on May 1, 2017, and vested in equal 25% installments on May 1, 2008 and 2009, respectively, with the remainder vesting in equal 25% annual installments on May 1, 2010 and 2011. On July 31, 2008, a grant of stock options was made to Named Executive Officers as follows: Mr. Devine – 18,135 shares; Mr. Mahon – 11,706 shares; Mr. Maher – 9,123 shares and Mr. Harris - 8,166 shares. All of these options expire on July 31, 2018, with 25% having vested on May 1, 2009, and the remainder vesting in equal 25% installments on May 1, 2010, 2011 and 2012. On July 31, 2008, a grant of restricted stock awards was made to Named Executive Officers as follows: Mr. Devine – 12,126 shares; Mr. Mahon – 7,827 shares; Mr. Maher – 6,100 shares and Mr. Harris - 5,460 shares. 25% of these restricted stock awards vested on May 1, 2009, with the remainder vesting in equal 25% installments on May 1, 2010, 2011 and 2012. On April 30, 2009, a grant of stock options was made to Named Executive Officers as follows: Mr. Devine – 38,798 shares; Mr. Mahon – 25,947 shares; Mr. Maher – 20,223 shares and Mr. Harris - 18,102 shares. All of these options expire on April 30, 2019 and vest in equal 25% installments on May 1, 2010, 2011, 2012 and 2013. On April 30, 2009, a grant of restricted stock awards was made to Named Executive Officers as follows: Mr. Devine – 24,326 shares; Mr. Mahon – 16,268 shares; Mr. Maher – 12,679 shares and Mr. Harris - 11,350 shares. These restricted stock awards vest in equal 25% installments on May 1, 2010, 2011, 2012 and 2013.

The following table sets forth information regarding plan-based awards granted to the Named Executive Officers during the last fiscal year:

## GRANTS OF PLAN-BASED AWARDS (1)

Estimated Future Payouts Under  
Non-Equity Incentive Plan Awards (2)

Name	Grant Date	Threshold(2)	Target(2)	Maximum(2)	All Other Stock Awards: Number of Shares of or Units(3)	All Other Option Awards: Number of Underlying Securities or Options (3)	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards (4)
Vincent F. Palagiano	3/19/2009	\$214,375	\$428,750	\$643,125	-	-	-	-
Michael P. Devine	4/30/2009	-	-	-	24,326	-	-	\$202,875
Michael P. Devine	4/30/2009	-	-	-	-	38,798	\$8.34	67,625
Kenneth J. Mahon	4/30/2009	-	-	-	16,268	-	-	135,675
Kenneth J. Mahon	4/30/2009	-	-	-	-	25,947	\$8.34	45,225
Christopher D. Maher	4/30/2009	-	-	-	12,679	-	-	105,746
Christopher D. Maher	4/30/2009	-	-	-	-	20,223	\$8.34	35,249
Daniel J. Harris	4/30/2009	-	-	-	11,350	-	-	94,658
Daniel J. Harris	4/30/2009	-	-	-	-	18,102	\$8.34	31,553

(1) There were no estimated future payouts under equity incentive plan awards during the years ended December 31, 2009, 2008 and 2007.

(2) Amount represents awards granted for future payment to Mr. Palagiano under the Long Term Cash Incentive Payment Plan. Please see the section entitled "Compensation Plans" commencing on page 20 for a discussion of the Long Term Cash Incentive Payment Plan.

(3) The reported awards were restricted stock awards and stock options granted under the 2004 Stock Incentive Plan and vest as stated in the section entitled "2004 Stock Incentive Plan" commencing on page 22.

(4) Calculated based upon a grant date fair value of \$8.34 per award for non-option stock awards granted on April 30, 2009, and a grant date fair value approximating \$1.743 per option for option grants made on April 30, 2009. The major assumptions underlying the calculation of the fair value of option grants on April 30, 2009 were as follows: Expected life of 5.6 years; Risk free interest rate of 2.26%; Volatility of 41.88%; and dividend yield of 6.72%.

## Stock Awards And Stock Option Grants Outstanding

The following tables set forth information regarding stock awards that have not vested, unexercised stock options and similar equity compensation outstanding at December 31, 2009, whether granted in 2009 or earlier, including awards that have been transferred other than for value:



## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END (1)

Name	Grant Date	Option Awards				Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (2)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares of Stock That Have Not Vested (#) (2)	Market Value of Shares of Stock That Have Not Vested (\$ (3)
Vincent F. Palagiano								
	11/21/2001	168,750-		-	\$10.91	11/21/2011	-	-
	2/1/2003	174,750-		-	13.16	2/1/2013	-	-
	1/27/2004	174,750-		-	19.90	1/27/2014	-	-
	5/31/2005	142,580-		-	15.10	5/31/2015	-	-
	5/1/2007	125,000	125,000	-	13.74	5/1/2017	-	-
Michael P. Devine								
	11/21/2001	28,664-		-	\$10.91	11/21/2011	-	-
	2/1/2003	111,000-		-	13.16	2/1/2013	-	-
	1/27/2004	111,000-		-	19.90	1/27/2014	-	-
	5/31/2005	90,537-		-	15.10	5/31/2015	-	-
	5/1/2007	85,000	85,000	-	13.74	5/1/2017	-	-
	7/31/2008	4,533	13,602	-	16.73	7/31/2018	-	-
	4/30/2009	-	38,798	-	8.34	4/30/2019	-	-
	7/31/2008						9,094	106,673
	4/30/2009						24,326	285,344
Kenneth J. Mahon								
	11/21/2001	56,250-		-	\$10.91	11/21/2011	-	-
	2/1/2003	60,750-		-	13.16	2/1/2013	-	-
	1/27/2004	60,750-		-	19.90	1/27/2014	-	-
	5/31/2005	49,462-		-	15.10	5/31/2015	-	-
	5/1/2007	52,500	52,500	-	13.74	5/1/2017	-	-
	7/31/2008	2,926	8,780	-	16.73	7/31/2018	-	-
	4/30/2009	-	25,947	-	8.34	4/30/2019	-	-
	7/31/2008						5,870	68,855
	4/30/2009						16,268	190,824
Christopher D. Maher								
	5/1/2007	17,000	34,000	-	13.74	5/1/2017	-	-
	7/31/2008	2,280	6,843	-	16.73	7/31/2018	-	-
	4/30/2009	-	20,223	-	8.34	4/30/2019	-	-
	1/3/2006						2,000	23,460
	7/31/2008						4,575	53,665
	4/30/2009						12,679	148,725
Daniel J. Harris								
	3/3/2008	8,606	25,819	-	\$14.92	3/3/2018	-	-

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7/31/2008	2,041	6,125		16.73	7/31/2018	-
4/30/2009	-	18,102	-	8.34	4/30/2019	
7/31/2008						4,095 48,034
4/30/2009						11,350 133,136

- (1) At December 31, 2009, there were no unearned shares, units or other rights that had not vested under Equity Incentive Plan awards.
- (2) Please refer to the sections entitled "2001 Stock Option Plan" and "2004 Stock Incentive Plan" commencing on page 22 for a detailed discussion of the expiration and vesting dates for each of the these unexercisable options and unvested restricted stock awards.
- (3) Market value is calculated on the basis of \$11.73 per share for 2009, the closing sales price of the Common Stock on the Nasdaq Stock Market on the final trading day of the year.

The following table sets forth the stock awards that vested and the option awards that were exercised for the Named Executive Officers during the last fiscal year:

Name	OPTION EXERCISES AND STOCK VESTED			
	Option		Stock	
	Awards	Value	Awards	Value
	Number of	Realized	Number	Realized
	Shares	on	of Shares	on
	Acquired	Exercise	Acquired	on
	on Exercise	Exercise	on Vesting	Vesting(1)
Vincent F. Palagiano	-	-	3,549	\$28,321
Michael P. Devine	-	-	5,290	42,214
Kenneth J. Mahon	-	-	3,199	25,528
Christopher D. Maher	-	-	3,525	32,270
Daniel J. Harris	-	-	1,365	10,893

(1) Amount calculated on the basis of \$7.98 per share (the closing sales price for a share of Common Stock on the Nasdaq Stock Market on May 1, 2009) for various grants to the Named Executive Officers which vested on May 1, 2009; and \$10.05 per share (the closing sales price for a share of Common Stock on the Nasdaq Stock Market on the vesting date of January 30, 2010) for Mr. Maher for the grant made to him on January 3, 2006. Unexercised stock options and unvested restricted stock may not be transferred for value.

#### Post-Employment Compensation

#### Pension Benefits

The following table sets forth information regarding pension benefits accrued by the Named Executive Officers through the end of the Company's last fiscal year:

Name	Plan Name	PENSION BENEFITS		
		Number of	Present	Payments
		Years Credited	Value of	During
		Service (#) (1)	Accumulated	Last Fiscal
			Benefit	Year
			\$(1)	
Vincent F. Palagiano	Retirement Plan	29.6	\$1,060,954	—
	BMP (Defined Benefit Portion)	29.6	1,762,252	—
Michael P. Devine	Retirement Plan	28.7	946,412	—
	BMP (Defined Benefit Portion)	28.7	1,123,755	—
Kenneth J. Mahon	Retirement Plan	19.7	467,397	—
		19.7	128,474	—

BMP (Defined Benefit  
Portion)

(1) The figures shown are determined as of the plan's measurement date during 2009 under Generally Accepted Accounting Principles as disclosed in Notes 1 and 15 to the Company's audited consolidated financial statements, included in the Company's 2009 Annual Report on Form 10-K. The discount rate and other assumptions used for this purpose are discussed in Note 15 to the audited consolidated financial statements, included in the Company's 2009 Annual Report on Form 10-K. The assumed mortality rates were as follows: Mr. Palagiano, 1.58%; Mr. Devine, 0.79% and Mr. Mahon, 0.44%.

## Non-Qualified Deferred Compensation

The following table sets forth information regarding nonqualified deferred compensation earned by the Named Executive Officers during the last fiscal year under non-qualified defined contribution plans:

## NON-QUALIFIED DEFERRED COMPENSATION (1)

Name	Executive Contributions in Last Fiscal Year (\$)	Company Contributions in Last Fiscal Year(\$)(2)	Aggregate Earnings in Last Fiscal Year(\$)(3)	Aggregate Withdrawals/ Distributions(\$)	Aggregate Balance at Last Fiscal Year End (\$)(4)
Vincent F. Palagiano	—	—	\$(407,408)	—	\$4,282,362
Michael P. Devine	—	—	\$(274,159)	—	\$2,909,931
Kenneth J. Mahon	—	—	\$(150,534)	—	\$1,581,801

(1) Non-qualified deferred compensation includes benefits provided under the BMP.

(2) Company contributions are included under the caption "All Other Compensation" in the Summary Compensation Table.

(3) Earnings did not accrue at above-market or preferential rates. These numbers are not reflected in the Summary Compensation Table.

(4) None of these amounts have been historically included in total compensation included in the Summary Compensation Table on page 19.

## Termination and Change in Control Benefits

The Company provides additional benefits, not included in the previous tables, to the Named Executive Officers in the event of retirement or termination of employment in certain circumstances and in the event of a change in control.

## Employment Agreements

The Company and the Bank are parties to the Employment Agreements with each of the Senior Executives. See "Compensation Discussion and Analysis – Potential Payments Upon Termination and Change of Control" for a discussion of the Employment Agreements.

## Retention Agreements

The Bank has, jointly with the Company, entered into the Retention Agreements with the Contract Employees. See "Compensation Discussion and Analysis – Potential Payments Upon Termination and Change in Control" for a discussion of the Retention Agreements.

The following table provides an estimate of the value of termination and change of control benefits, assuming termination of employment or a change in control occurred on December 31, 2009.





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	Vincent F. Palagianio	Michael P. Devine	Kenneth J. Mahon	Christopher D. Maher	Daniel J. Harris
<b>Death</b>					
Death Benefit(1)	\$2,058,000	\$1,623,000	\$1,206,000	N/A	N/A
Stock Option Vesting(8)	-	131,525	87,960	68,556	61,366
Restricted Stock Vesting(9)	-	249,356	259,690	249,321	181,170
Incentive Award Vesting(10)	857,500	-	-	-	-
<b>Disability</b>					
Disability Benefit(2)	\$2,058,000	\$1,623,000	\$1,206,000	N/A	N/A
Stock Option Vesting(8)	-	131,525	87,960	68,556	61,366
Restricted Stock Vesting(9)	-	249,356	259,690	249,321	181,170
Incentive Award Vesting(10)	857,500	-	-	-	-
<b>Discharge without Cause or Resignation with Good Reason - No Change in Control</b>					
Severance Pay(3)	\$1,882,420	\$1,484,532	\$1,103,109	-	-
Bonus(3)	1,069,650	850,647	648,436	-	-
ESOP(4)	28,955	28,955	28,955	-	-
Insurance(5)	69,739	41,490	51,925	-	-
401(k) Payment(6)	19,647	19,647	19,647	-	-
BMP-ESOP Payout(7)	-	-	-	-	-
Stock Option Vesting(8)	-	-	-	-	-
Restricted Stock Vesting(9)	-	-	-	-	-
Incentive Award Vesting(10)	857,500	-	-	-	-
<b>Discharge without Cause or Resignation with Good Reason - Change in Control Related</b>					
<b>Transaction Pay Salary</b>					
(3)	\$1,996,359	\$1,574,388	\$1,169,878	-	-
Severance Pay(3)	1,330,906	1,049,592	779,919	\$1,024,294	\$964,915
Bonus(3)	1,887,579	1,501,110	1,144,275	354,000	354,000
ESOP(4)	-	-	-	-	-
Insurance(5)	69,739	41,490	51,925	49,288	49,288
401(k) Payment(6)	33,122	33,122	33,122	19,647	19,647
BMP-ESOP Payout(7)	2,076,879	1,406,453	766,938	-	-
Stock Option Vesting(8)	-	131,525	87,960	68,556	61,366
Restricted Stock Vesting(9)	-	249,356	259,690	249,321	181,170
Incentive Award Vesting(10)	857,500	-	-	-	-
Pension Payment(11)	5,023,521	4,792,752	2,235,243	N/A	N/A
Tax Indemnity(12)	6,197,417	5,254,697	3,143,117	634,199	584,982
<b>Change in Control – No Termination of Employment</b>					
<b>Transaction Pay</b>					
(Salary)(3)	\$1,996,359	\$1,574,388	\$1,169,878	-	-
Transaction Pay(Bonus)(3)	1,132,547	900,666	686,565	-	-
ESOP(4)	-	-	-	-	-

Insurance(5)	-	-	-	-	-
401(k) Payment(6)	19,647	19,647	19,647	-	-
BMP-ESOP Payout(7)	2,076,879	1,406,453	766,938	-	-
Stock Option Vesting(8)	-	131,525	87,960	68,556	61,366
Restricted Stock Vesting(9)	-	249,356	259,690	249,321	181,170
Incentive Award Vesting(10)	857,500	-	-	-	-
Pension Payment(11)	5,023,521	4,792,752	2,235,243	N/A	N/A
Tax Indemnity(12)	5,016,229	4,326,244	2,433,576	-	-

(1) On termination by reason of death, the Employment Agreements provide for (i) payment of earned but unpaid salary, (ii) benefits the executive is entitled to as a former employee, (iii) payment for all unused vacation days and floating holidays in the year of termination at the highest rate of annual salary for such year and (iv) a death benefit, payable to the beneficiaries of the executive through life insurance or otherwise. This death benefit is the equivalent on a net after-tax basis of the benefit payable under a term life insurance policy, with a stated face value of three times such executive's then Annual Base Salary. This death benefit shall be paid within thirty days of death. The Retention Agreements provide no severance benefits on termination by reason of death, except for (a) earned but unpaid salary, and (b) benefits such executive is entitled to as a former employee.

- (2) On termination by reason of disability, the Employment Agreements provide for (i) payment of earned but unpaid salary, (ii) benefits the executive is entitled to as a former employee, (iii) payment for all unused vacation days and floating holidays in the year of termination at the highest rate of annual salary for such year and (iv) a disability benefit. This disability benefit is a lump sum amount equal to three times the executive's then annual base salary, payable within thirty days after termination. The Retention Agreements provide no severance benefits on termination by reason of disability.
- (3) In the event of a termination without cause, a resignation with good reason and/or a change in control, the Employment Agreements provide for a lump sum payment in an amount equal to the present value of the salary and bonus that the executive would have earned if he had worked for the Company during the remaining unexpired employment period at the highest annual rate of salary (assuming, if a Change in Control has occurred, that annual 6% salary increases would apply from the time of the Change of Control) and received the highest bonus as a percentage of the annual rate of salary provided for under the Employment Agreement. The present value of these payments is to be determined using a discount rate of six percent (6%) per year, compounded, in the case of salary, with the frequency corresponding to the Company's regular payroll periods with respect to its officers, and, in the case of bonus, annually. In the event of a termination without cause or resignation with good reason, in either event following a change in control, the Retention Agreements provide for a lump sum payment, in an amount equal to the present value of the salary that the executive would have earned if he had continued working for the Bank during the remaining unexpired Assurance Period at the highest annual rate of salary achieved during the executive's period of actual employment with the Bank. This present value is to be determined using a discount rate equal to the applicable short-term federal rate prescribed under section 1274(d) of the Code, compounded using the compounding periods corresponding to the Bank's regular payroll periods for its officers. In addition, the Retention Agreements provide for a lump sum payment equal to the amount of incentives the executive would have received under all cash bonus or long-term or short-term cash incentive compensation plans maintained by, or covering employees of, the Bank, if he had continued working for the Bank and had earned the maximum bonus or incentive award in each calendar year that ends during the remaining unexpired Assurance Period. These incentive payments are to be equal to the product of: (a) the maximum percentage rate at which an award was ever available to such Contract Employee under such incentive compensation plan, multiplied by (b) the salary that would have been paid to such Contract Employee during each such calendar year at the highest annual rate of salary achieved during the remaining unexpired Assurance Period. The Assurance Period for both Mr. Maher and Mr. Harris is 3 years. In the event that the employee is a "specified employee" within the meaning of Section 409A of the Code, then, if necessary to comply with Section 409A, payments will be held in a grantor trust which meets the requirements of Revenue Procedure 92-65 and paid on the first day of the seventh month following separation from service.
- (4) In the event of a termination without cause or a resignation with good reason in the absence of a change in control, the Employment Agreements provide for a lump sum payment in an amount approximately equal to the present value of three years of participation in the ESOP, where such present value is determined using a discount rate of six percent per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers. The Retention Agreements provide for no severance benefits in the event of a termination without cause or a resignation with good reason in the absence of a change in control. Market value is calculated on the basis of \$11.73 per share, which was the closing sales price for the Common Stock on the NASDAQ National Market on December 31, 2009.
- (5) In the event of a termination without cause or a resignation with good reason, the Employment Agreements provide for continued group life, health (including hospitalization, medical, major medical, and dental), accident and long-term disability insurance benefits, in addition to benefits the executive is entitled to as a former employee, after taking into account the coverage provided by any subsequent employer. These continued benefits will be provided if and to the extent necessary to provide the executive and his family and dependents for a period of three years following termination of employment, with coverage identical to, and in any event no less favorable

than, the coverage to which they would have been entitled under plans in effect on the date of his termination of employment. If the executive's termination of employment occurs after a change in control, he may elect coverage to which he would be entitled under plans in effect on the date of his termination of employment or during the one-year period ending on the date of such change in control. These continued benefits will be determined as if the executive had continued working for the Company during the remaining unexpired employment period as defined in the Employment Agreement at the highest annual rate of compensation (assuming, if a change in control has occurred, that annual 6% salary increases would apply from the time of the change in control) under the Employment Agreement. In the event of a termination without cause or resignation with good reason, in either event following a change in control, the Retention Agreements provide for continued group life, health (including hospitalization, medical and major medical), accident and long term disability insurance benefits, in addition to benefits the executive is entitled to as a former employee, and after taking into account the coverage provided by any subsequent employer. These continued benefits will be provided if and to the extent necessary to provide the executive, for the remaining unexpired Assurance Period, with coverage equivalent to the coverage to which such Contract Employee would have been entitled under plans in effect on the date of his termination of employment, or, if his termination of employment occurs after a change of control, under plans in effect upon the change of control, if the benefits are greater. These continued benefits will be determined as if the Contract Employee had continued working for the Bank during the remaining unexpired Assurance Period at the highest annual rate of compensation achieved during the Contract Employee's period of actual employment with the Bank. Each figure shown represents the present value of continued insurance benefits for a fixed period of three years and assumes no offset for benefits provided by a subsequent employer, calculated on the basis of the assumptions used by the Company in measuring its liability for retiree benefits other than pensions for financial statement purposes under FASB ASC Topic 715 ("ASC Topic 715"). For more information concerning other major assumptions used for these calculations, please refer to Note 15 to the audited consolidated financial statements included in the Company's 2009 Annual Report on Form 10-K.

- (6) In the event of a termination without cause or a resignation with good reason in the absence of a change in control, or upon a change of control, the Employment Agreements provide for a lump sum payment in an amount approximately equal to the present value of three years of participation in the 401(k) Plan. In the event of a termination without cause or a resignation with good reason following a change of control, the Employment Agreements provide for an additional lump sum payment in an amount approximately equal to the present value of two years of participation in the 401(k) Plan. Each such present value is determined using a discount rate of six percent per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers. The Retention Agreements provide for no severance benefits in the event of a termination without cause or a resignation with good reason in the absence of a change in control, but do provide for a lump sum payment for termination without cause or resignation with good reason following a change in control. The amount of this payment would be approximately equal to the present value of three years of participation in the 401(k) Plan, where such present value is determined using a discount rate of six percent per annum, compounded with the frequency corresponding to the Company's regular payroll periods with respect to its officers.
- (7) The ESOP provides that in the event of a change in control of the Company or Bank, a portion of the proceeds from the sale of the shares of the Common Stock held in a suspense account for future allocation to employees would be applied to repay the outstanding balance on the loan used to purchase the unallocated shares. The remaining unallocated shares (or the proceeds from their sale) would be distributed among the accounts of plan participants in proportion to the balances credited to such accounts immediately prior to such allocation. The Company estimates this distribution to be approximately \$5.24 per allocated share, based on 2,037,641 allocated shares that are held by current participants, 1,250,472 unallocated shares, an outstanding loan balance of \$3,994,655, and a price of \$11.73 per share, which was the closing sales price for the Common Stock on the NASDAQ National Market on December 31, 2009. The BMP provides eligible employees with benefits that would be due under the ESOP if such benefits were not limited under the Code. The figures shown represent an estimated earnings credit of \$5.24 per stock unit credited to Messrs. Palagiano, Devine and Mahon under the BMP.
- (8) All stock options granted under the 2001 Stock Option Plan and 2004 Stock Incentive Plan provide for full vesting upon death, disability, retirement or change in control. The figures shown reflect the in-the-money value of those stock options that would accelerate, calculated based on the positive difference between the option exercise price and \$11.73, which was the closing sales price for a share of Common Stock on December 31, 2009.
- (9) All restricted stock granted under the 2004 Stock Incentive Plan provide for full vesting upon death, disability, retirement or change in control. The figures shown reflect the value of those restricted stock awards that would accelerate, calculated based on a per share value of \$11.73, which was the closing sales price for a share of Common Stock on December 31, 2009.
- (10) In 2008, Mr. Palagiano was granted an incentive award with a performance period ending December 31, 2010. In 2009, Mr. Palagiano was granted an additional incentive award with a performance period ending December 31, 2011. A description of the payment levels and criteria are set forth in the "Compensation Discussion and Analysis." Upon a change of control, death, disability or retirement, each amount is pro-rated based on performance through the date of such event. Since the amount of the performance awards cannot be determined at this time, the estimate has been prepared based on the December 31, 2010 target award of \$428,750 and the December 31, 2011 target award of \$428,750.
- (11) In the event of a change in control of the Company or Bank, the Employment Agreements provide that (i) the term of employment will be converted to a fixed two year period beginning on the date of the change in control, and (ii) if the Senior Executive signs a release of any further rights under his Employment Agreement with the Bank, an immediate contribution will be paid to a trust compliant with Rev. Proc. 92-65 (whether or not

employment has terminated) for payment upon later termination for any reason. The amount to be contributed to this trust is equal to the present value of three years salary, bonus and fringe benefits plus an additional lump

sum equal to the present value  $x$  minus  $y$ , where  $x$  is a specified target pension for each Senior Executive and  $y$  is the actual pension benefit due to the Senior Executive under the Bank's and the Company's qualified and nonqualified defined benefit pension plans. The target pension is a given percentage of the highest aggregate salary and bonus for any 36 month period in the last 120 months of employment. This percentage is  $26\frac{2}{3}\%$  for

Mr. Palagiano;  $25\%$  for Mr. Devine; and  $16\frac{2}{3}\%$  for Mr. Mahon. The Retention Agreements do not provide for a similar additional payment in the event of a change in control of the Company or Bank.

(12) Cash and benefits paid to Messrs. Palagiano, Mahon and Devine under the Employment Agreements and Messrs. Maher and Harris under their Retention Agreements, together with payments under other benefit plans following a change of control of the Bank or the Company may constitute an "excess parachute" payment under Section 280G of the Code, resulting in the imposition of a 20% excise tax on the recipient and the denial of the deduction for such excess amounts to the Company and the Bank. Each Employment Agreement and Retention Agreement includes a provision indemnifying the executive on an after-tax basis for any "excess parachute" excise taxes.

#### Transactions With Certain Related Persons

It is the Company's policy to comply with all relevant laws regarding review, approval or ratification of transactions involving the Company or Bank and any Director, executive officer or their immediate family.

Federal Reserve Board Regulation O requires that all Bank or Company loans or extensions of credit to certain executive officers, as defined in Regulation O, ("Regulation O Officers") and Directors must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public and must not involve more than the normal risk of repayment or present other unfavorable features. The Bank has in the past made loans or extended credit to Regulation O Officers and also to certain persons related to Regulation O Officers and Directors. All such loans were: (i) made by the Bank in the ordinary course of business; (ii) made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and (iii) did not involve more than the normal risk of collectability or present other unfavorable features. Current Bank policy prohibits it from advancing loans to the Named Executive Officers or Directors. The Bank owned no outstanding loans to Named Executive Officers, Regulation O Officers, Directors or their associates as of the Record Date. The Company intends that all loan transactions in the future between the Company and its Regulation O Officers, or holders of more than 5% of the shares of Common Stock, and affiliates thereof, will contain terms that are no less favorable to the Bank than those it could have obtained in arms-length negotiations with unaffiliated persons. All such loans will further be approved by a majority of the Company's independent outside Directors having no interest in the transaction.

Section 402 of the Sarbanes-Oxley Act of 2003 ("Sarbanes-Oxley") prohibits the extension of personal loans to Directors and executive officers of issuers (as defined in Sarbanes-Oxley). The prohibition, however, does not apply to mortgages advanced by an insured depository institution, such as the Bank, that is subject to the insider lending restrictions of Section 22(h) of the Federal Reserve Act.

Delaware General Corporate Law ("DGCL") §143 permits a Delaware corporation, such as the Company, to advance a loan, guarantee the obligation of, or otherwise assist any officer or other employee of the corporation or its subsidiaries, including employees who are directors of the corporation, whenever, in the judgment of the directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the board of directors shall approve, including, without limitation, a pledge of shares of stock of the corporation.

Pursuant to DGCL §144(a), no contract or transaction between a corporation and its directors or officers, or between a corporation and any other entity in which its directors or officers are directors or officers or have a financial interest, shall be voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board or Committee which authorizes the contract or transaction, or solely because any such director's or officer's votes are counted for such purpose, if: (1) The material facts as to the Director's or officer's relationship to the contract or transaction are disclosed or known to the Board or Committee, and the Board or Committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested Directors, even though the disinterested Directors may be less than a quorum; (2) the material facts as to the Director's or officer's relationship to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and



the contract or transaction is specifically approved in good faith by vote of the shareholders; or (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the Board, a Committee or the shareholders.

Mr. Curtin is a partner in the law firm of Conway Farrell. The Bank retains Conway Farrell to conduct loan closings and perform other requested legal services. Conway Farrell received fees in the amount of approximately \$989,275 from third parties pursuant to its representation of the Bank in loan closings for the year ended December 31, 2009. In addition, the Bank paid fees totaling \$39,148 directly to Conway Farrell during the year ended December 31, 2009 for other legal services provided. Until his retirement in January 2009, Mr. Williams was a partner at Thacher, which, until December 2008, provided general corporate legal services to the Company and its

subsidiaries. Neither the Company nor Bank paid any fees to Thacher in 2009.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers and Directors, and persons who own more than 10% of the Common Stock, to file with the SEC reports of ownership and changes in ownership of Common Stock. Executive officers, Directors and greater than 10% shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms received by the Company, or written representations from certain reporting persons, the Company believes that its executive officers, Directors and greater than 10% beneficial owners complied with all applicable filing requirements.

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## PROPOSAL 2

### RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

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#### General

The Audit Committee of the Board of Directors has appointed the firm of Crowe Horwath LLP to act as the Company's independent auditors for the year ending December 31, 2010, subject to ratification of such appointment by the Company's shareholders. A representative of Crowe Horwath LLP is expected to be present at the Annual Meeting, will be provided an opportunity to make a statement if he or she so desires, and is expected to be available to respond to appropriate questions. No determination has been made as to any action the Audit Committee would take if the shareholders do not ratify the appointment.

Crowe Horwath LLP began service as the Company's independent auditor effective August 12, 2009. Prior to August 12, 2009, Deloitte & Touche LLP ("Deloitte") was engaged as the Company's independent auditor. Deloitte was dismissed as the Company's independent auditor on August 11, 2009. The decision to dismiss Deloitte was approved by the Audit Committee of the Company's Board of Directors.

Deloitte's reports on the consolidated financial statements of the Company and Deloitte's opinions on the effectiveness of the Company's internal control over financial reporting as of and for the years ended December 31, 2008 and 2007 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the two years ended December 31, 2008, and the subsequent interim periods, there were no (a) disagreements with Deloitte on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Deloitte's satisfaction, would have caused Deloitte to make reference to the subject matter thereof in its report for such years, or (b) reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K.

#### Audit Fees

The following table summarizes the aggregate fees billed to the Company by its independent auditing firms:

Year Ended December
31,

	2009	2008
Audit Fees		
(a)	\$393,500	\$577,000
Audit-Related		
Fees (b)	160,300	268,000
Tax Fees (c)	167,100	200,100
All Other		
Fees	-	-
Total	\$720,900	\$1,045,100

(a) Fees for audit services billed in 2009 and 2008 consisted of:

- § Audits of the Company's annual financial statements
- § Reviews of the Company's quarterly financial statements
- § Comfort letters, statutory and regulatory audits, consents and other services related to SEC matters

(b) Fees for audit-related services billed in 2009 and 2008 consisted of:

- § Financial accounting and reporting consultations
- § Internal control reviews
- § Employee benefit plan audits

(c) Fees for tax services billed in 2009 and 2008 consisted of tax compliance services and tax planning and advice services.

Fees for tax compliance services totaled \$159,200 for 2009 and \$175,400 for 2008. Tax compliance services are services rendered based upon facts already in existence or transactions that have already occurred to document, compute, and obtain government approval for amounts to be included in tax filings and consisted of:

- i. Federal, state and local income tax return assistance
- ii. Sales and use, property and other tax return assistance
- iii. Research & Development tax credit documentation and analysis for purposes of filing amended returns
- iv. Requests for technical advice from taxing authorities

Tax planning and advice service fees paid totaled \$7,900 in 2009 and \$24,700 in 2008. Tax planning and advice consists of services rendered with respect to proposed transactions or that alter a transaction to obtain a particular tax result.

#### Pre-Approval Policy

The services performed by the independent auditor in 2009 were pre-approved in accordance with the Audit Committee's pre-approval policy. Pursuant to the policy, the Audit Committee must pre-approve all audit and permitted non-audit services to be provided by the independent auditor, including the fees and terms thereof.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF INDEPENDENT AUDITORS.**

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#### SHAREHOLDER COMMUNICATIONS WITH THE BOARD

The Company's Board of Directors provides a process for shareholders to send communications to the Board. The Company's Policy Regarding Shareholder Communication with the Board is available on its website at [www.dime.com](http://www.dime.com) by selecting Investor Relations and then Corporate Governance within the Investor Relations menu.

#### OTHER MATTERS

As of the date of this Proxy Statement, the Company's Board of Directors is not aware of any other matters to be brought before the shareholders at the Annual Meeting. If, however, any other matters not known are properly brought before the meeting, the persons named in the accompanying proxy will vote the shares represented by all properly executed proxies on such matters in such manner as shall be determined by a majority of the Board of Directors.

#### 2011 ANNUAL MEETING STOCKHOLDER PROPOSALS

In order to be considered for inclusion in the Company's proxy statement and form of proxy for the annual meeting to be held in 2011, all shareholder proposals, including, but not limited to, nominations for Director, must be submitted

to the Secretary of the Company at its offices at 209 Havemeyer Street, Brooklyn, New York 11211 on or before December 15, 2010. Under the Company's Bylaws, shareholder nominations for Director and shareholder proposals not included in the Company's 2011 proxy statement, in order to be considered for possible action by the shareholders at the annual meeting to be held in 2011, must be delivered to or received by the Secretary of the Company, at the address set forth above: (i) sixty days in advance of such meeting if such meeting is to be held on a day which is within thirty days preceding the anniversary of the previous year's annual meeting, or ninety days in advance of such meeting if such meeting is to be held on or after the anniversary of the previous year's annual meeting; and (ii) with respect to an annual meeting held at a time other than within the time periods set forth in the immediately preceding clause (i), the close of business on the tenth day following the date on which notice of such meeting is first given to shareholders. Notice shall be deemed to be first given to shareholders when disclosure of such date of the meeting of shareholders is first made in a press release reported to Dow Jones News Services, the Associated Press or a comparable national news service, or in a document publicly filed by the Company with the SEC

pursuant to Section 13, 14 or 15(d) of the Exchange Act. A shareholder's notice to the Secretary shall set forth such information as required by, and otherwise comply with, the Company's Bylaws. Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement and proxy card relating to an annual meeting any shareholder proposal or nomination which does not satisfy all of the requirements for inclusion established by the SEC in effect at the time such proposal or nomination is received.

The Board of Directors will review any shareholder proposals that are filed as required and will determine whether such proposals satisfy applicable criteria for consideration at the annual meeting to be held in 2011.

#### Multiple Shareholders Sharing One Address

Only one copy of the Proxy Statement and Annual Report is being delivered to multiple shareholders sharing an address unless the Company has received contrary instructions from one or more of the shareholders. The Company will deliver promptly upon written or oral request a separate copy of the Proxy Statement and Annual Report to a shareholder at a shared address to which a single copy of the Proxy Statement and Annual Report was delivered. Shareholders may notify the Company that they desire to receive a separate copy of the current or a future Proxy Statement and Annual Report by writing Dime Community Bancshares, Inc., 209 Havemeyer Street, Brooklyn, NY 11211, Attn: Investor Relations, or by telephoning the Investor Relations Department at (718) 782-6200, ext. 8279. By using either of these methods, shareholders sharing an address may additionally request delivery of a single copy of a Proxy Statement and Annual Report if they are receiving multiple copies.

#### Annual Report

A copy of the Annual Report to shareholders for the period ended December 31, 2009, including the consolidated financial statements prepared in conformity with generally accepted accounting principles for the year ended December 31, 2009, accompanies this Proxy Statement. The consolidated financial statements for the year ended December 31, 2009 have been audited by Crowe Horwath LLP, whose report appears in the Annual Report. Shareholders may obtain, free of charge, a copy of the Annual Report on Form 10-K filed with the SEC (without exhibits) by writing to Kenneth A. Ceonzo, Director of Investor Relations, Dime Community Bancshares, Inc., 209 Havemeyer Street, Brooklyn, New York 11211, or by calling (718) 782-6200, extension 8279, or by accessing the Company's corporate website [www.dime.com](http://www.dime.com).

By Order of the Board of Directors

Lance J. Bennett

Secretary

Brooklyn, New York

April 7, 2010

**TO ASSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE AND PROMPTLY RETURN THE ACCOMPANYING PROXY CARD IN THE POSTAGE-PAID ENVELOPE PROVIDED.**



