

ENTERPRISE BANCORP INC /MA/
Form PRE 14A
March 08, 2006

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

SCHEDULE 14A INFORMATION
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Enterprise Bancorp, 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):

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ENTERPRISE BANCORP, INC.

222 MERRIMACK STREET

LOWELL, MASSACHUSETTS 01852

TELEPHONE: (978) 459-9000

March 24, 2006

Dear Stockholder:

You are cordially invited to attend the 2006 Annual Meeting of stockholders (the Annual Meeting) of Enterprise Bancorp, Inc. (the Company), the parent holding company of Enterprise Bank and Trust Company, to be held on Tuesday, May 2, 2006, at 4:00 p.m. local time, at the Boston University Conference Center, 72 Tyng Road, Tyngsboro, Massachusetts.

The Annual Meeting has been called for the following purposes:

1. To elect five Directors of the Company, each for a three-year term;
2. To amend the Company s Restated Articles of Organization;
3. To amend the Company s 2003 Stock Incentive Plan;
4. To ratify the Audit Committee s appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2006; and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

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The accompanying Proxy Statement of the Company provides information concerning the matters to be voted on at the Annual Meeting. Also enclosed is the Company's 2005 annual report to stockholders, which contains additional information and results for the year ended December 31, 2005, including the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

It is important that your shares be represented at the Annual Meeting. Whether or not you plan to attend the Annual Meeting, you are requested to complete, date, sign and return the enclosed proxy card in the enclosed postage paid envelope.

Thank you in advance for returning your proxy. We appreciate your continuing support of the Company.

Sincerely,

George L. Duncan
*Chairman of the Board
and Chief Executive Officer*

ENTERPRISE BANCORP, INC.

222 MERRIMACK STREET

LOWELL, MASSACHUSETTS 01852

TELEPHONE: (978) 459-9000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held at 4:00 p.m. on Tuesday, May 2, 2006

NOTICE IS HEREBY GIVEN that the Annual Meeting of stockholders (the Annual Meeting) of Enterprise Bancorp, Inc. (the Company) will be held at the Boston University Conference Center, 72 Tyng Road, Tyngsboro, Massachusetts at 4:00 p.m. local time on Tuesday, May 2, 2006 for the following purposes:

1. To elect five Directors of the Company, each to serve for a three-year term (Proposal One);
2. To amend the Company s Restated Articles of Organization (Proposal Two);
3. To amend the Company s 2003 Stock Incentive Plan (Proposal Three);
4. To ratify the Audit Committee s appointment of KPMG LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2006 (Proposal Four); and
5. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 14, 2006 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Only holders of the Company s common stock 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 adjournments or postponements thereof.

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In the event there are not sufficient votes to approve any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies by the Company.

By Order of the Board of Directors

Michael A. Spinelli
Clerk

222 Merrimack Street
Lowell, Massachusetts 01852
March 24, 2006

EVEN IF YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE COMPLETE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. IF YOU ATTEND THE ANNUAL MEETING AND DESIRE TO WITHDRAW YOUR PROXY AND VOTE IN PERSON, YOU MAY DO SO.

PROXY STATEMENT

ENTERPRISE BANCORP, INC.

222 MERRIMACK STREET

LOWELL, MASSACHUSETTS 01852

Telephone: (978) 459-9000

ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Tuesday, May 2, 2006

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Enterprise Bancorp, Inc. (the Company), the parent holding company of Enterprise Bank and Trust Company (the Bank), for the 2006 Annual Meeting of stockholders of the Company (the Annual Meeting), to be held on Tuesday, May 2, 2006 at 4:00 p.m. local time, at the Boston University Conference Center, 72 Tyng Road, Tyngsboro, Massachusetts and at any adjournments or postponements thereof. This Proxy Statement, the accompanying Notice of Annual Meeting and the accompanying proxy card are first being mailed to stockholders on or about March 24, 2006.

The Annual Meeting has been called for the following purposes: (1) to elect five Directors of the Company, each to serve for a three-year term; (2) to amend the Company's restated articles of organization; (3) to amend the Company's 2003 Stock Incentive Plan; (4) to ratify the Audit Committee's appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006; and (5) to transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Company is a Massachusetts corporation and a registered bank holding company. All of the Company's material business activities are conducted through the Bank.

Record Date

The Board of Directors has fixed the close of business on March 14, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof (the Record Date). Only holders of record of the Company's common stock (the Common Stock) at the close of business on the Record Date will be entitled to notice of, and to vote at, the

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Annual Meeting and any adjournments or postponements thereof. At the close of business on the Record Date, there were _____ shares of the Common Stock issued and outstanding and entitled to vote at the Annual Meeting and any adjournments or postponements thereof. As of such date there were approximately _____ holders of record of the Common Stock. The holders of shares of the Common Stock outstanding as of the close of business on the Record Date will be entitled to one vote for each share held of record upon each matter properly submitted to the Annual Meeting or any adjournments or postponements thereof.

Proxies

Holders of the Common Stock are requested to complete, date, sign and promptly return the accompanying proxy card in the enclosed envelope, which requires no postage if mailed in the United States. If the enclosed form of proxy is properly executed and returned to the Company in time to be voted at the Annual Meeting, the shares represented thereby will, unless such proxy has previously been revoked, be voted in accordance with the instructions marked thereon. Properly executed proxies with no instructions indicated thereon will be voted as follows: (1) FOR the election of John P. Clancy, Jr., James F. Conway, III, Lucy A. Flynn, John P. Harrington and Nickolas Stavropoulos, the five nominees of the Board of Directors, as Directors of the Company; (2) FOR the amendment of the Company's restated Articles of Organization; (3) FOR the amendment to the Company's 2003 Stock Incentive Plan; (4) FOR the ratification of the Audit Committee's appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006; and (5) in such manner as management's proxy-holders shall decide on such other matters as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The presence of a stockholder at the Annual Meeting will not automatically revoke a stockholder's proxy. A stockholder may, however, revoke a proxy at any time prior to the voting thereof on any matter (without, however, affecting any vote taken prior to such revocation) by filing with the Clerk of the Company a written notice of revocation, or by delivering to the Company a duly executed proxy bearing a later date, or by attending the Annual Meeting and voting in person. All written notices of revocation and other communications with respect to revocation of proxies in connection with the Annual Meeting should be addressed as follows: Enterprise Bancorp, Inc., 222 Merrimack Street, Lowell, Massachusetts 01852, Attention: Michael A. Spinelli, Clerk.

It is not anticipated that any matters other than those set forth in the foregoing proposals (1), (2), (3) and (4) contained in this Proxy Statement will be brought before the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons named as proxies will vote upon such matters in their discretion in accordance with their best judgment.

In addition to use of the mails, proxies may be solicited personally or by telephone or fax by officers, Directors and employees of the Company, none of whom will be specially compensated for such solicitation activities. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners of shares held of record by such persons, and the Company will reimburse such persons for their reasonable out-of-pocket expenses incurred in that connection. The cost of soliciting proxies will be borne by the Company.

Quorum; Vote Required

The presence, in person or by proxy, of at least a majority of the total number of outstanding shares of the Common Stock is necessary to constitute a quorum at the Annual Meeting for the transaction of business. Abstentions and broker non-votes (as defined below) will be counted as present for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting. A quorum being present, the affirmative vote of a plurality of the votes cast at the Annual Meeting is required for the election of Directors of the Company (Proposal One). Neither abstentions nor broker non-votes will be counted as votes cast for purposes of electing Directors of the Company and, therefore, they will not affect the election of Directors of the Company. The approval of the amendments to the Company's Restated Articles of Organization (Proposal Two) requires the affirmative vote of the holders of eighty percent (80%) of the outstanding shares of the Common Stock. Neither abstentions nor broker non-votes will be included among the outstanding shares of the Common Stock that are affirmatively voted for this proposal and, therefore, they

will have the effect of votes against this proposal. The approval of the amendment to the Company's 2003 Stock Incentive Plan (Proposal Three) requires the affirmative vote of the holders of a majority of the outstanding shares of the Common Stock present, in person or by proxy, and entitled to vote thereon at the Annual Meeting. Abstentions will be included among the shares that are considered present and entitled to vote on this proposal, and since they will not be counted as affirmative votes for this proposal, they will have the effect of votes against this proposal. Broker non-votes will not be included among the shares that are considered to be present and entitled to vote on this proposal and, therefore, they will have no effect on the voting for this proposal. The approval of the proposal to ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2006 (Proposal Four) requires the affirmative vote of a majority of the shares present and voting, in person or by proxy, at the Annual Meeting. Neither abstentions nor broker non-votes will be included among the shares that are considered to be present and voting on this proposal and, therefore, they will have no effect on the voting for this proposal.

A broker non-vote is a proxy from a broker or other nominee indicating that such person has not received instructions from the beneficial owner or other person entitled to vote the shares which are the subject of the proxy on a particular matter with respect to which the broker or other nominee does not have discretionary voting power.

The Directors and executive officers of the Company have indicated that they intend to vote all shares of the Common Stock that they are entitled to vote in favor of each of proposals (1), (2), (3) and (4) presented herein. On the Record Date, the Directors and executive officers of the Company in the aggregate had the right to vote _____ shares of the Common Stock representing approximately _____ % of the outstanding shares of the Common Stock as of such date.

PROPOSAL ONE

ELECTION OF CLASS OF DIRECTORS

The Company's By-Laws provide that the number of Directors shall be set by a majority vote of the entire Board of Directors. The number of Directors for the Company has been set at 19 through the date of the Annual Meeting, subject to change as described further below. Under the Company's Articles of Organization and By-Laws, this number is divided into three classes, as nearly equal in number as possible, with the Directors in each class serving a term of three years and until their respective successors are duly elected and qualified, or until his or her earlier resignation, death or removal. As the term of one class expires, a successor class is elected at the annual meeting of stockholders for that year.

The Board of Directors currently includes two members, Gerald G. Bousquet and Kathleen M. Bradley, whose terms will expire at the time of the Annual Meeting. Both Dr. Bousquet and Ms. Bradley have indicated that they intend to retire from the Board of Directors upon the expiration of their term and, consequently, upon their retirement, the number of Directors of the Company will automatically be reset at 17.

At the Annual Meeting, there are five Directors to be elected to serve until the 2009 annual meeting of stockholders and until their respective successors are duly elected and qualified, or until his or her earlier resignation, death or removal. The Board of Directors has nominated, upon the recommendation of the Board's Corporate Governance/Nominating Committee, each of John P. Clancy, Jr., James F. Conway, III, Lucy A. Flynn, John P. Harrington and Nickolas Stavropoulos, for election as a Director for a three-year term.

Unless authority to do so has been withheld or limited in the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the election as a Director of each of the nominees named above. The Board of Directors believes that all of the nominees will stand for election and will serve as a Director if elected. However, if any person nominated by the Board of Directors fails to stand for election or is unable or refuses to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

Information Regarding Directors and Nominees

The following table sets forth certain information for each of the five nominees for election as Directors at the Annual Meeting. Each individual has been engaged in his or her principal occupation for at least five years, except as otherwise indicated.

Nominees

(Term to Expire in 2009)

Name, Age and Principal Occupation	Director Since (1)
<p>John P. Clancy, Jr. (48)</p> <p>Since January 2005, Executive Vice President and Chief Operating Officer of the Company and Executive Vice President, Chief Operating Officer and Chief Investment Officer of the Bank; from January 1, 2003 through December 31, 2004, President and Treasurer of the Company and Executive Vice President, Treasurer and Chief Investment Officer of the Bank; prior to January 1, 2003, Treasurer of the Company since its inception and Executive Vice President, Treasurer and Chief Investment Officer of the Bank (prior to May 2003, also Chief Financial Officer of the Bank)</p>	2003
<p>James F. Conway, III (53)</p> <p>Chairman, Chief Executive Officer and President of Courier Corporation</p>	1989
<p>Lucy A. Flynn (52)</p> <p>Since March 2002, Vice President Global Marketing Communications, Raytheon Company; prior thereto, Executive Vice President, Marketing, Atlantic Data Services, Inc.</p>	1997
<p>John P. Harrington (63)</p> <p>Energy Consultant for Tennessee Gas Pipeline Company</p>	1989

Nickolas Stavropoulos (48)

2002

Since June 2004, President, KeySpan Energy Delivery, and Executive Vice President, KeySpan Corporation; from April 2002 through May 2004, Executive Vice President, KeySpan Corporation and President, KeySpan Energy New England; from November 2001 through March 2002, Senior Vice President of Sales and Marketing, KeySpan Energy Delivery New England; prior thereto, Senior Vice President of Marketing and Gas Resources for Boston, Colonial and Essex Gas Companies

(1) All of the listed Nominees are also Directors of the Bank. The years listed in the foregoing table are the respective years in which each named individual first became a Director of the Company and the Bank.

For information regarding the remaining members of the Board of Directors, who will continue to serve after the Annual Meeting, see the listing under the heading "Continuing Directors" at pages 14 - 15 below.

Recommendation of Directors

The Board of Directors recommends that the stockholders vote FOR the election of John P. Clancy, Jr., James F. Conway, III, Lucy A. Flynn, John P. Harrington and Nickolas Stavropoulos, the five nominees proposed by the Board of Directors, as Directors of the Company to serve until the 2009 annual meeting of stockholders and until their successors are duly elected and qualified.

PROPOSAL TWO

APPROVAL OF AMENDMENTS TO ARTICLES OF ORGANIZATION

General

On January 17, 2006, the Board of Directors unanimously approved various amendments to the Company's Restated Articles of Organization (the "Articles of Organization"), subject to stockholder approval. The proposed amendments, which are summarized below, largely reflect changes in the Massachusetts corporate statute resulting from the replacement in 2004 of Chapter 156B of the Massachusetts General Laws ("Chapter 156B") with the then newly enacted Chapter 156D of the Massachusetts General Laws ("Chapter 156D") as the state statute applicable generally to Massachusetts business corporations. Some of the amendments may also be viewed as clarifying or otherwise affecting certain aspects of the Company's governance process and structure.

The proposed amendments to the Articles of Organization are contained in Articles of Amendment, which would be filed with the Office of the Secretary of State of the Commonwealth of Massachusetts if duly adopted and approved by shareholders at the Annual Meeting. A copy of the

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Articles of Amendment, which has been marked to show the changes that would be implemented by the proposed amendments (underlined text shows added language and strike-through text shows deleted language) is included as an attachment to this Proxy Statement.

Summary of Amendments

Article II Purposes

The amendment deletes the reference to Chapter 156B as the state statute that governs the company's permissible business activities (in addition to the federal laws applicable to bank holding companies) and inserts in its place Chapter 156D.

Article IV Capital Stock

Section 2 (Preferred Stock) The amendment revises the procedure required with respect to the filing of various documents with the Massachusetts Secretary of State to implement a vote of the Board of Directors that establishes one or more series of preferred stock. This amendment reflects differences between the procedural filing requirements of Chapter 156B and Chapter 156D, but does not have any substantive effect on the Board of Directors' existing authority under the Articles of Organization to establish on its own initiative and without shareholder involvement one or more series of preferred stock.

Article VI Other Lawful Provisions

Section 3 (Directors) The amendment makes it clear that, as required under Chapter 156D, a director can only be removed for cause at either a meeting of the Company's shareholders or of the Board of Directors, which is called expressly for such purpose, and that the director must receive prior notice of such meeting. The current provisions of Section 3 do not require either a meeting or prior notice in connection with the removal of a director for cause by the Board of Directors.

Section 4 (Indemnification of Directors) The amendment tracks certain new indemnification provisions contained in Chapter 156D. These include a requirement, which is not contained in the current provisions of Section 4, that a director may not be indemnified in connection with any criminal proceeding unless he or she had reasonable cause to believe that his or her conduct was not unlawful (in addition to satisfying the other generally applicable conditions of acting in good faith and in a manner he or she reasonably believed was in or at least not opposed to the best interests of the Company). The amendment also makes it clear that a director's conviction or plea of *nolo contendere* in a criminal proceeding is not determinative on its own as to whether the director failed to satisfy the standard of conduct required for indemnification.

Section 5 (Transactions with Interested Persons) The amendment expressly incorporates the conflict-of-interest rules that

would apply to any transactions between the Company and directors under Chapter 156D. The current provisions of Section 5 do not otherwise indicate in any way that these rules, which include procedural and fairness requirements, would apply to transactions between the Company and directors and, with respect to certain procedural requirements, appear to conflict with the provisions of Chapter 156D.

Section 8 (Notice of Stockholder Business at Annual Meeting) The amendment replaces references to the Clerk of the Company with references to the Secretary of the Company, as the officer to whom shareholder proposals must be sent if such proposals are to be considered for presentation at an annual meeting of the Company's shareholders. This change reflects a change from Chapter 156B to Chapter 156D in the statutory name of such office. The amendment also replaces a reference to the Company's Chairman and Chief Executive Officer with a more general reference to a presiding officer as the officer of the Company who may make certain determinations at an annual meeting as to whether a shareholder proposal has been properly brought before the meeting in accordance with the applicable requirements of the Articles of Organization. This change reflects a recognition that the offices of Chairman and Chief Executive Officer may not always be held by a single person and that under certain circumstances an officer of the Company other than the Chairman and/or Chief Executive Officer may serve as the presiding officer at an annual meeting.

Section 9 (Call of Special Meeting) The amendment makes it clear that the Chairman of the Board or the Chief Executive Officer, as well as a majority of the Board of Directors, may call a special meeting of the Company's shareholders, recognizing that the offices of Chairman and Chief Executive Officer may not always be held by a single person.

Section 10 (Amendment of By-laws) The amendment tracks the requirements of Chapter 156D with respect to the rights of the Company's shareholders and the Board of Directors to amend the by-laws and on this basis eliminates certain current provisions of Section 10 that restrict the shareholders' ability to amend the by-laws without the prior approval of the Board of Directors.

Section 11 (Amendment of Articles of Organization) The amendment implements certain new provisions of Chapter 156D that enable the Board of Directors to adopt certain types of minor amendments to the Articles of Organization as specified by the statute without accompanying shareholder approval.

Section 12 (Directors' Liability) The amendment conforms to the language used in Chapter 156D with respect to the Company's ability to limit the personal liability of members of the Board of Directors by appropriate charter provisions, but does not result in any material change to the intended scope of such exculpatory provisions as presently contained in the Articles of Organization.

Reasons for Board of Directors' Recommendation

The Board of Directors believes that the proposed amendments to the Articles of Organization are largely technical in nature and intended to maintain the Articles of Organization in conformance with the applicable statutory laws of Massachusetts. To the extent that some of the amendments, however, may be viewed as clarifying or otherwise affecting certain matters relating to the Company's corporate governance, the Board of Directors believes that such amendments further the interests of shareholders by emphasizing director accountability and for the most part promoting broader participation in the governance of the Company.

Recommendation of Directors

The Board of Directors recommends that the stockholders vote FOR the approval and adoption of the amendments to the Company's Restated Articles of Organization as contained in the Articles of Amendment included with this Proxy Statement.

PROPOSAL THREE

APPROVAL OF AMENDMENT TO 2003 STOCK INCENTIVE PLAN

General

On January 17, 2006, the Board of Directors unanimously approved an amendment to the Company's 2003 Stock Incentive Plan (the Plan), subject to stockholder approval. The sole purpose and effect of the proposed amendment is to increase the aggregate number of shares of Common Stock that may be issued or otherwise made available under the Plan in connection with grants of stock options, restricted stock and other equity-based compensation awards by a total of 200,000 shares from 176,546 to 376,546. A summary of the principal features of the Plan, as would continue in effect following stockholder approval of the proposed amendment to increase the aggregate number of shares subject to the Plan, is set forth below.

Summary of 2003 Stock Incentive Plan

Purpose, Participants, Duration. The purpose of the Plan is to encourage employees, directors, and consultants of the Company and its subsidiaries (including without limitation the Bank) who render services to, and who have contributed or may be expected to contribute to the success of, the Company or a subsidiary (the Participants) to continue their association with the Company and its subsidiaries by providing favorable opportunities for them to participate in the ownership of the Company and in its future growth through the granting of shares of Common Stock subject to restrictions (Restricted Stock), options to acquire Common Stock (Options), stock appreciation rights (SARs) and other rights to compensation in amounts determined by the value of the Common Stock. Restricted Stock, SARs and other rights are referred to collectively in this summary as Other Rights.

Inasmuch as the substantial majority of the shares of Common Stock reserved for issuance pursuant to the Plan have been utilized in connection with previously granted Options and Other Rights, and that only a very limited number of additional shares remain available for Options or Other Rights that may be granted under the Company's earlier 1998 Amended and Restated Stock Incentive Plan (the 1998 Plan), the Board of Directors believes that the adoption of the amendment to the Plan is necessary to enable the Company to continue to attract and retain the high caliber of employees and directors required for the Company's continuing growth and success.

As of the date of this Proxy Statement, there are 16 nonemployee directors, six executive officers (including three employee directors) and other employees, including other officers, who are eligible Participants under the Plan. While outside consultants are also eligible Participants, the Board of Directors has not granted any Options or Other Rights to any such persons at any time in the past and has no current intention of doing so.

The Plan will continue in effect, whether or not the proposed amendment is approved by stockholders, through April 30, 2013, unless earlier terminated by the Board of Directors. Termination of the Plan at any time will not affect Options or Other Rights granted prior to termination, but no additional Options or Other Rights may be granted after termination.

Shares Subject to the Plan. The total number of shares of Common Stock that may be subject to Options and Other Rights under the Plan as currently in effect may not exceed 176,546 and would be increased to a maximum of 376,546, subject to stockholder approval of the proposed amendment (the Reserved Shares). This increased number equals slightly less than 10% of the number of shares of Common Stock outstanding on the Record Date. In the event of any change in the number or kind of Common Stock outstanding pursuant to a reorganization, recapitalization, exchange of shares, stock dividend or split or combination of shares, appropriate adjustments to the number of Reserved Shares and the number of shares subject to outstanding Options and Other Rights will be made. The total amount of Reserved Shares that may be granted to any single employee under the Plan may not exceed in the aggregate 60,000 shares. Shares will be deemed issued under the Plan only to the extent actually issued or otherwise settled in cash or shares. To the extent that any outstanding Option or Other Right lapses or is forfeited, any shares subject to such Option or Other Right will again become available for future grant under the terms of the Plan.

Administration. The Plan may be administered by the Board of Directors' Compensation/Personnel Committee, or a

subcommittee of the Compensation/Personnel Committee, which must consist of at least three members of the Board, or by the Board of Directors itself. References to the Compensation Committee in this summary are intended to refer to the Compensation/Personnel Committee or such subcommittee or the full Board of Directors, as the case may be, unless the context requires otherwise. For so long as Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act), is applicable to the Company, each member of the Compensation Committee must be a non-employee director or the equivalent within the meaning of Rule 16b-3 of the United States Securities and Exchange Commission (the SEC) promulgated

under the Exchange Act. For so long as Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), is applicable to the Company, each such member of the Compensation Committee must also be an outside director within the meaning of Section 162 of the Code and the regulation thereunder. With respect to persons subject to Section 16 of the Exchange Act (generally, executive officers, directors and any 10% stockholders), all transactions under the Plan are intended to comply with all applicable conditions of the SEC's Rule 16b-3 or any successor regulation.

Subject to the terms of the Plan, the Compensation Committee has authority to: (i) select the persons to whom Options and Other Rights shall be granted; (ii) determine the number or value and the terms and conditions of Options or Other Rights granted to each such person, including the price per share to be paid upon exercise of any Option and the period within which each such Option or Other Right may be exercised; and (iii) interpret the Plan and prescribe rules and regulations for the administration thereof.

Stock Options. The Compensation Committee may grant awards to Participants in the form of Options. With regard to each Option, the Compensation Committee determines the number of shares of Common Stock subject to the Option, the exercise price of the Option, the manner and time of exercise of the Option and whether the Option is intended to qualify as an incentive stock option (ISO) within the meaning of Section 422 of the Code. Options that are not intended to qualify as ISOs are referred to as nonqualified stock options (NSOs). In the case of an ISO, the exercise price may not be less than the fair market value of the Common Stock on the date the Option is granted; provided, however, that in the case of an employee who owns (or is considered to own under Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries, the price at which Common Stock may be purchased pursuant to an ISO may not be less than 110% of the fair market value of the Common Stock on the date the ISO is granted.

The duration of the ISOs and NSOs granted under the Plan may be specified pursuant to each respective stock option agreement, but in no event can any ISO be exercisable after the expiration of 10 years after the date of grant. In the case of any employee who owns (or is considered under Section 424(d) of the Code as owning) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any of its subsidiaries, no ISO shall be exercisable after the expiration of five years from its date of grant. The Compensation Committee, in its discretion, may provide that any Option is exercisable during its entire duration or any lesser period of time.

The option exercise price may be paid in cash, in shares of Common Stock owned by the optionee (subject to certain limitations specified in the Plan), by delivery of a recourse promissory note secured by the Common Stock acquired upon exercise of the Option (if and to the extent permitted by applicable law and specifically set forth in the applicable stock option agreement) or by means of a cashless exercise procedure in which a broker transmits to the Company the exercise price in cash, either as a margin loan or against the optionee's notice of exercise and confirmation by the Company that it will issue and deliver to the broker stock certificates for that number of Reserved Shares having an aggregate fair market value equal to the exercise price or agrees to pay the Option price to the Company in cash upon its receipt of stock certificates.

Stock Appreciation Rights. The Compensation Committee may grant SARs to Participants as to such number of Reserved Shares and on such terms and conditions as it may determine. SARs may be granted separately or in connection with ISOs or NSOs. Upon exercise of an SAR, the holder is entitled to receive payment equal to the excess of the fair market value, on the date of exercise, of the number of Reserved Shares for which the SAR is exercised, over the exercise price for such Reserved Shares under a related Option, or if there is no related Option, over an amount per share stated in the written agreement setting forth the terms and conditions of the SAR. Payment may be made in cash or other property, including Common Stock, in accordance with the provisions of an SAR agreement. Upon the

exercise of an SAR related to an Option, the Option shall terminate as to the number of Reserved Shares for which the SAR is exercised. As of the date of this Proxy Statement, there have been no SARs previously granted to any Participants under the Plan.

Stock Grants. The Committee may grant to Participants a number of shares of Common Stock determined in its discretion, subject to terms and conditions so determined by it, including conditions that may require the holder to forfeit the Common Stock in the event that the holder ceases to provide services to the Company or a subsidiary before a stated time. Unlike holders of Options and SARs, a holder of Restricted Stock has the rights of a stockholder of the Company to vote and to receive payment of dividends on the Restricted Stock, unless the Compensation Committee specifies to the contrary in the award agreement.

Effect of Certain Corporate Transactions. If while unexercised or otherwise unvested Options or Other Rights remain outstanding under the Plan the Company is subject to a Change in Control (as such term is defined in the Plan) or is liquidated, then, except as otherwise specifically provided to the contrary in any applicable agreement, (i) each such Option and SAR outstanding immediately prior to the effective time of such Change of Control or liquidation and held by an individual who is employed by, or otherwise serving as a Director for, the Company or a subsidiary within the 10-day period prior to the effective time of either such event shall become immediately exercisable upon such effective time with respect to all of the Reserved Shares subject to such Option or SAR, as the case may be, whether or not the Participant's rights under such Option or SAR would otherwise have been so fully exercisable at such time and (ii) each holder of shares of Restricted Stock outstanding immediately prior to the effective time of such Change in Control or liquidation who is employed by, or otherwise serving as a Director for, the Company or a subsidiary within the 10-day period prior to the effective time of either such event shall become fully vested upon such effective time with respect to such holder's ownership of such shares, whether or not such holder would otherwise have been so fully vested with respect to such shares at such time.

Under the terms of the Plan, a Change in Control is deemed to have occurred in either of the following events: (i) if there has occurred a change in control that the Company would be required to report in a Current Report on Form 8-K as filed by the Company with the SEC pursuant to the requirements of Section 13 or Section 15(d) of the Exchange Act or, if such reporting obligation is no longer in effect, any regulations promulgated by the SEC or any successor agency pursuant to the Exchange Act or any successor statute that are intended to serve similar purposes; or (ii) when any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) becomes a beneficial owner (as that term is defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the total number of votes that may be cast for the election of Directors of the Company, and in the case of either (i) or (ii) above, the Board of Directors has not consented to such event by a two-thirds vote of all of its members (unless there exists at such time an Interested Stockholder, as that term is defined in the Company's articles of organization, in which case the affirmative vote of two-thirds of the Continuing Directors, as that term is defined in the Company's articles of organization, is also required). In addition, under the terms of the Plan, a Change in Control is also deemed to have occurred if as the result of, or in connection with, any tender or exchange offer, merger or other business combination, sale or other disposition of assets or contested election of Directors of the Company or any combination of the foregoing transactions, the persons who were Directors of the Company before such transactions or related series of transactions cease to constitute a majority of the Board of Directors or of any board of directors of any successor institution.

Amendments to Stock Incentive Plan. The Board of Directors may modify, revise or terminate the Plan at any time and from time to time, except that approval of the stockholders of the Company is required with respect to any amendment that: (i) materially increases the benefits accruing to Participants under the Plan or constitutes a modification as that term is defined in Section 424 (or any successor provision) of the Code, if any such increase in benefits or modification would adversely affect either the availability to the Plan of the protections of Section 16(b) of the Exchange Act, if applicable to the Company, or the qualification of the Plan or any Options for incentive stock option treatment under Section 422 of the Code; (ii) changes the number of Reserved Shares that may be issued either to any one Participant or in the aggregate; (iii) changes the class of persons eligible to receive Options or Other Rights; or (iv) otherwise requires stockholder approval under applicable law.

The following description of the federal income tax consequences of Options and Other Rights is general and does not purport to be complete.

Tax Treatment of Options. A Participant realizes no taxable income when an NSO is granted. Instead, the difference between the fair market value of the Common Stock subject to the NSO and the exercise price paid is taxed as ordinary compensation income when the NSO is exercised. The difference is measured and taxed as of the date of exercise, if the stock is not subject to a substantial risk of forfeiture, or as of the date or dates on which the risk terminates in other cases. A Participant may elect to be taxed on the difference between the exercise price and the fair market value of the Common Stock on the date of exercise, even though some or all of the Common Stock acquired is subject to a substantial risk of forfeiture. Gain on the subsequent sale of the Common Stock is taxed as a capital gain. The Company receives no tax deduction on the grant of a NSO, but is entitled to a tax deduction when the Participant recognizes taxable income on or after exercise of the NSO, in the same amount as the income recognized by the Participant.

Generally, a Participant incurs no federal income tax liability on either the grant or the exercise of an ISO, although a Participant will generally have taxable income for alternative minimum tax purposes at the time of exercise equal to the excess of the fair market value of the stock subject to an ISO over the exercise price. Provided that the shares of Common Stock are held for at least one year after the date of exercise of the related ISO and at least two years after its date of grant, any gain realized on the subsequent sale of the stock will be taxed as long-term capital gain. If the stock is disposed of within a shorter period of time, the Participant will be taxed as if the Participant had then received ordinary compensation income in an amount equal to the difference between the fair market value of the stock on the date of exercise of the ISO and its fair market value on its date of grant. The Company receives no tax deduction on the grant or exercise of an ISO, but is entitled to a tax deduction if the Participant recognizes taxable income on account of a premature disposition of ISO stock, in the same amount and at the same time as the Participant's recognition of income.

Tax Treatment of SARs. A Participant incurs no imputed income upon the grant of an SAR, but upon its exercise realizes ordinary compensation income in an amount equal to the cash or cash equivalent that he receives at that time. If the Participant receives shares of Common Stock upon exercise of the SAR, the recipient incurs imputed income measured by the difference between the base amount set forth in the SAR agreement and fair market value of the Common Stock at the exercise date (or, if at the exercise date the stock is subject to a substantial risk of forfeiture, at the date or dates on which such risk expires).

Tax Treatment of Stock Grants. A person who receives a grant of Common Stock subject to restrictions generally will not recognize taxable income at the time the award is received, but will recognize ordinary compensation income when any restrictions constituting a substantial risk of forfeiture lapse. The amount of imputed income will be equal to the excess of the aggregate fair market value, as of the date the restrictions lapse, over the amount (if any) paid by the holder for the Restricted Stock. Alternatively, a recipient of Restricted Stock may elect to be taxed on the excess of the fair market value of the Restricted Stock at the time of grant over the amount (if any) paid for the Restricted Stock, notwithstanding the restrictions on the stock. Outright grants of Common Stock (i.e., grants without any restrictions) will result in ordinary compensation income to the Participant. All such taxable amounts are deductible by the Company at the time and in the amount of the ordinary compensation income recognized by the Participant.

Nonqualified Deferred Compensation. To the extent that an SAR or an NSO may be granted under the Plan with an exercise price that is below the fair market value of the Common Stock on the date of grant, any such grant will be considered a nonqualified deferred compensation plan for purposes of Section 409A of the Code. A Participant who receives an SAR or NSO under such circumstances would be subject to immediate federal income taxation on the value of the grant, as well as a 20% nondeductible federal excise tax on such amount, unless the terms of the grant also impose certain restrictions on the Participant's control over the NSO or SAR that comply with requirements under Section 409A of the Code.

Parachute Payments. Under certain circumstances, an accelerated vesting or granting of Options or Other Rights in connections with a Change in Control (as defined above) of the Company may give rise to an excess parachute payment for purposes of the golden parachute tax provisions of Section 280G of the Code. To the extent it is so considered, a Participant may be subject to a 20% nondeductible federal excise tax and the Company may be denied an income tax deduction.

Reasons for Board of Directors Recommendation

The Board of Directors believes that compensation arrangements of employees and directors of the Company and its subsidiaries should match directly the strategy and organizational focus that the Company has established for achieving competitive success and higher profits and for maximizing shareholder returns. The Board of Directors believes that stock-based incentive compensation is a valuable method of tying performance to the creation of stockholder value over the long term, since the full benefit of the total compensation package cannot be realized unless an appreciation in the price of the Common Stock occurs over a number of years.

As of March 14, 2006, only of the original 176,546 shares reserved for issuance in connection with Options or Other Rights granted under the Plan remain available for future grants. Moreover, as of such date, only shares remain available for any future grants of Options or Other Rights under the 1998 Plan. The Board of Directors believes that the addition of 200,000 shares under the Plan is necessary for the Company to continue to attract and retain the high caliber of employees and directors required for the Company's continuing growth and success.

The Common Stock is listed for trading on the NASDAQ National Market. The reported closing sales price of the Common Stock on March 14, 2006, was \$.

No grants of Options or Other Rights have been made under the Plan that are contingent on stockholder approval of the proposed amendment to increase the number of shares subject to the Plan.

Any shareholder who wishes to obtain a copy of the Plan, as it will continue in effect after the Annual Meeting, subject to shareholder approval to increase the number of shares subject to the Plan, may do so by directing a written request to the Clerk of the Company at 222 Merrimack Street, Lowell, Massachusetts 01852 or by making such request by phone directly to Jim Marcotte at (978) 656-5614.

Recommendation of Directors

The Board of Directors recommends that the stockholders vote FOR the approval and adoption of the amendment to increase the number of shares of Common Stock subject to the Company's 2003 Stock Incentive Plan.

PROPOSAL FOUR

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

The Audit Committee has appointed KPMG LLP to serve as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2006.

The Company is not required to submit the ratification of the Audit Committee's appointment of KPMG LLP as the Company's independent registered public accounting firm to a vote of stockholders. In the

event a majority of the votes cast are against the appointment of KPMG LLP, the Audit Committee may consider the vote and the reasons therefor in future decisions on its appointment of the Company's independent registered public accounting firm.

Representatives of KPMG LLP are expected to attend the annual meeting at which time they will have an opportunity to make a statement if they wish to do so and will be available to answer any appropriate questions from stockholders.

Audit Fees

The aggregate fees billed by KPMG LLP for professional services rendered for the audit of the Company's annual consolidated financial statements for the year ended December 31, 2005 and the review of the consolidated financial statements included in the Company's quarterly reports on Form 10-Q as filed with the SEC during the year ended December 31, 2005 were \$320,500. The same fees for the year ended December 31, 2004 were \$283,952.

Audit-Related Fees

In addition to the audit fees billed by KPMG LLP, as referred to above, the aggregate fees billed to the Company for audit-related fees for the years ended December 31, 2005 and December 31, 2004 were \$21,868 and \$24,000, respectively. Fees paid in 2005 and 2004 were related to audits of the Company's 401(k) plan.

Tax Fees

The Company paid \$16,000 in 2005 and \$16,500 in 2004 to KPMG LLP for tax preparation services performed in each of these two years.

All Other Fees

All other fees paid to KPMG, LLP in 2005 amounted to \$6,500 for research provided related to historic rehabilitation tax credits. No other fees were paid to KPMG LLP in 2004.

The Audit Committee must approve in advance any audit or permissible non-audit engagement or relationship between the Company and its independent registered public accounting firm. The Audit Committee has delegated to its chairman this approval authority, subject to the requirement that the chairman report the terms of any such engagement or relationship to the full Audit Committee at its next regularly scheduled meeting. All of the services described above, including those described under the headings, Audit-Related Fees, Tax Fees and All Other Fees, were provided in conformance with such pre-approval requirements. The Audit Committee has determined that providing the services described above under the headings, Audit-Related Fees, Tax Fees and All Other Fees, is compatible with maintaining the independence

of KPMG LLP.

Recommendation of Directors

The Board of Directors recommends that the stockholders vote FOR the ratification of the Audit Committee s appointment of KPMG LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2006.

Board of Directors

In addition to the nominees for election to the Board of Directors set forth above, the Board of Directors is comprised of the individuals listed below whose terms expire at the annual meetings of the Company's stockholders in 2007 and 2008. Each individual has been engaged in his or her principal occupation for at least five years, except as otherwise indicated.

Continuing Directors

(Term to Expire in 2007)

Name, Age and Principal Occupation	Director Since (1)
Walter L. Armstrong (69) Retired in August 2000 as Executive Vice President of the Bank	1989
Nancy L. Donahue (75) Chair of the Board of Trustees, Merrimack Repertory Theatre	1988
George L. Duncan (65) Chairman and Chief Executive Officer of the Company and the Bank since their inception	1988
Carol L. Reid (58) Through August 2005, Vice President, Corporate Controller and Chief Accounting Officer at Avid Technology	2006
Charles P. Sarantos (80) Through August 2004, owner and Chairman of C&I Electrical Supply Co.; since July 2003, Assistant Clerk of the Company and the Bank	1991
Michael A. Spinelli (73) Owner, Merrimac Travel Service Inc., and Owner, World Tourism Solutions; former owner of Action Six Travel Network; since July 2003, Clerk of the Company and the Bank; prior to July 2003, Assistant Clerk of the Company and the Bank	1988

(Term to Expire in 2008)

Name, Age and Principal Occupation	Director Since (1)
Kenneth S. Ansin (41) Since January 2002, President of Norwood Fine Cabinetry; from November 1998 through February 2002, Business Development Officer of the Bank	1994
John R. Clementi (56) President, Plastikan, Inc. and Holiday Housewares, Inc.	1998
Carole A. Cowan (63) President, Middlesex Community College	1999
Eric W. Hanson (62) Chairman, D.J. Reardon Company, Inc.	1991
Arnold S. Lerner (76) Vice Chairman of the Company and the Bank; Director, Courier Corporation; prior to July 2003, Clerk of the Company and the Bank	1988
Richard W. Main (58) Since January 2005, President of the Company and President and Chief Lending Officer of the Bank; from January 1, 2003 through December 31, 2004, President, Chief Operating Officer and Chief Lending Officer of the Bank; prior to January 1, 2003, President of the Company since its inception and President, Chief Operating Officer and Chief Lending Officer of the Bank	1989

(1) All of the Directors are also Directors of the Bank. The years listed in the foregoing tables are the respective years in which each named individual first became a Director of the Company and the Bank.

Meetings of Board of Directors and Committees of Enterprise Bancorp, Inc. and Enterprise Bank and Trust Company

There were eight joint meetings of the Company's (i.e., Enterprise Bancorp, Inc.) Board of Directors and the Bank's (i.e., Enterprise Bank and Trust Company) Board of Directors during the calendar year ended December 31, 2005. During such period, each Director attended more than 75% in the aggregate of the total number of meetings of the Board of Directors and of each of the committees of the Board of Directors on which he or she served, excluding Mr. Ansin and Mr. Conway.

The Company's Board of Directors maintains five standing committees, an executive committee, an audit committee, an asset-liability committee, a compensation/ personnel committee, and a corporate governance/nominating committee.

The Bank's Board of Directors has an executive committee, audit committee, compensation/personnel committee, asset-liability committee, marketing and business development committee, banking technology

committee, investment management and trust group committee, loan committee, and corporate governance/nominating committee.

Executive Committee. The executive committee is authorized to manage and transact the business of the Company and the Bank. In addition, loans over certain amounts must be approved by the executive committee.

Audit Committee. The audit committee is directly responsible for the appointment, compensation and oversight of the work of the Company's independent registered public accounting firm. Among other responsibilities, the audit committee also oversees and reviews all internal audit examinations and reports of the Company and the Bank, and reviews all audit reports of the Company prepared by the Company's independent registered public accounting firm and all reports of examination of the Company and of the Bank prepared by regulatory authorities. The audit committee met six times during 2005 with the Company's independent registered public accounting firm, KPMG LLP.

Asset-Liability Committee (ALCO). The asset liability committee is responsible for Board oversight of the Company's and the Bank's interest rate risk, capital adequacy and liquidity. Through the Company's and Bank's asset-liability and investment policies, the committee monitors, evaluates and controls interest rate risk, as a whole and within certain tolerance levels, while ensuring adequate liquidity and adequate capital.

Compensation/Personnel Committee (Compensation). The compensation/personnel committee is responsible for establishing the Company's executive compensation standards and overseeing the administration of the Company's compensation and benefits programs, including its equity compensation programs. The committee is also responsible for overseeing the administration of the employee benefit and compensation programs of the Bank.

Corporate Governance/Nominating Committee (CGNC.) The corporate governance/nominating committee is responsible for developing and recommending to the Board the corporate governance principles applicable to the overall governance of the Company and of the Bank. The corporate governance/nominating committee's specific responsibilities include developing and recommending to the Board independence standards for Board members, evaluating the performance of the Board and its various committees, recommending to the Board the appointment of individual directors to the Board's various committees, recommending to the Board the director nominees for election at the Company's annual meeting of shareholders, developing and recommending criteria for the selection of new directors and reviewing and making recommendations on shareholder proposals.

Marketing and Business Development Committee (Marketing). The marketing and business development committee reviews the Bank's marketing and business development activities.

Banking Technology Committee (Technology). The banking technology committee is responsible for overseeing the

administration of the Bank's data processing function.

Investment Management and Trust Group Committee (IMTG). The investment management and trust group committee is responsible for overseeing the Bank's trust and investment management activities, including administering trust policy and reviewing trust accounts.

Loan Committee. The Loan Committee reviews and discusses loans being proposed for charge-off, as well as loans on the Watch Asset list and other problem loans. The committee additionally reviews and discusses various reports on the commercial loan portfolio and certain larger commercial relationships, with a particular focus on larger construction lending relationships.

The following table provides 2005 membership by current Directors and meeting information for each of the standing committees of the Company and the Bank:

	Executive (1)	Audit	ALCO (1)	Compensation	CGNC	Marketing	Technology	IMTG (1)	Loan
Ansin			X*			X			X
Armstrong						X	X		X
Bousquet						X		X	X
Bradley		X				X			X
Clancy			X			X	X	X	X
Clementi	X		X	X	X			X*	
Conway	X		X	X*	X				
Cowan	X	X		X			X*		X
Donahue						X*	X	X	X
Duncan	X		X			X		X	
Flynn		X			X		X		
Hanson	X			X					X*
Harrington		X	X		X	X			X
Lerner	X		X	X	X*			X	