

TFS Financial CORP
Form DEF 14A
January 24, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
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- Definitive Proxy Statement
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TFS FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To our Stockholders:

The 2008 annual meeting of stockholders of TFS Financial Corporation (the Company) will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue., Cleveland, Ohio 44105, on Tuesday, February 26, 2008, at 9:00 a.m., local time, for the following purposes:

1. To elect four directors, each to hold office for a three-year term and until his successor has been duly elected and appointed;
2. To ratify the selection of Deloitte & Touche LLP as the Company's independent accountants for the Company's fiscal year ending September 30, 2008; and
3. To transact all other business that properly comes before the meeting.

Only stockholders of record at the close of business on January 9, 2008, will be entitled to notice of and to vote at the meeting or any adjournment thereof. Stockholders are urged to complete, date and sign the enclosed proxy card and return it in the enclosed envelope. Alternatively, stockholders may vote via telephone or over the Internet (details are on the proxy card). The principal address of the Company is 7007 Broadway Avenue, Cleveland, Ohio 44105.

By order of the Board of Directors,

Bernard S. Kobak

Secretary

January 24, 2008

**YOUR VOTE IS IMPORTANT. PLEASE SIGN, DATE AND RETURN THE PROXY CARD OR
VOTE VIA TELEPHONE OR OVER THE INTERNET.**

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TFS FINANCIAL CORPORATION

7007 Broadway Avenue

Cleveland, Ohio 44105

PROXY STATEMENT

Our Board of Directors is sending you this proxy statement to ask for your vote as a stockholder of TFS Financial Corporation (the Company, we, us or our) on certain matters to be voted on at our upcoming annual meeting of stockholders, which will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue, Cleveland, Ohio 44105, on Tuesday, February 26, 2008, at 9:00 a.m., local time. We are mailing this proxy statement and the accompanying notice and proxy card, along with our Annual Report to Stockholders, on or about January 24, 2008.

ABOUT THE MEETING

What Is the Purpose of the Annual Meeting of Stockholders?

At our annual meeting of stockholders, stockholders will act upon the matters outlined in the accompanying notice of meeting, including the election of four directors and a proposal to ratify the selection of Deloitte & Touche LLP as the Company's independent accountants for the Company's fiscal year ending September 30, 2008. We are not aware of any other matter that will be presented for your vote at the meeting.

Who Is Entitled to Vote?

Only stockholders of record at the close of business on the record date, January 9, 2008, are entitled to receive notice of and to vote the shares of our common stock that they held on the record date at the meeting, or any postponement or adjournment of the meeting. Each outstanding share of common stock entitles its holder as of the record date to cast one vote on each matter to be voted on. As of the record date, the Company had outstanding 332,318,750 shares of common stock.

What if My Shares Are Held in the Third Federal Savings Associate Stock Ownership Plan or the Third Federal Savings 401(k) Savings Plan?

If you are a participant in the Third Federal Savings Associate Stock Ownership Plan (the ASOP) or the Third Federal Savings 401(k) Savings Plan (the 401(k) Plan) and you own shares of our common stock through those plans, you have received with this proxy statement voting instruction forms with respect to shares you may vote under those plans. Although the trustee or administrator for each plan votes all shares of our common stock held by that plan, each participant may direct the trustee or administrator how to vote the shares of our common stock allocated to his or her plan account. If you own shares of our common stock through either of these plans and do not vote, the respective trustee or administrator will vote the shares of common stock in accordance with the terms of the respective plans, which provide that the trustee or administrator will vote any shares of our common stock for which it has received no voting instructions in the same proportions as it votes the shares of our common stock for which it has received instructions from plan participants.

Who Can Attend the Meeting?

Only stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Please note that if you hold your shares in street name (that is, through a broker or other nominee), your name does not appear in the Company's records, and you will need to bring to the annual meeting a copy of your brokerage statement reflecting your ownership of shares of our common stock as of the record date in order to be admitted.

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When and Where Is the Meeting?

The meeting will be held at the offices of Third Federal Savings and Loan, 7007 Broadway Avenue, Cleveland, Ohio 44105, on Tuesday, February 26, 2008, at 9:00 a.m., local time. Parking is available in our visitor parking lot, which you can enter from Aetna Avenue.

What Constitutes a Quorum?

The presence at the meeting, either in person or by proxy, of the holders of a majority of the shares of our common stock outstanding on the record date will represent a quorum, permitting the conduct of business at the meeting. Proxies received by the Company but marked as abstentions or broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting for purposes of establishing a quorum.

What Vote is Required to Approve Each Proposal, Assuming that a Quorum Is Present at the Annual Meeting of Stockholders?

Proposal One: Election of Directors. The four director nominees who receive the greatest number of affirmative votes will be elected directors, and abstentions and broker non-votes will not count for or against any nominee for director.

Proposal Two: Ratification of the Selection of Deloitte & Touche LLP as the Company's Independent Accountants. The Audit Committee of our Board of Directors plans to reappoint Deloitte & Touche LLP as the Company's independent accountants to audit our financial statements for the fiscal year ending September 30, 2008. Although ratification is not required, our Board of Directors is submitting this appointment to our stockholders for ratification as a matter of good corporate practice. See page 23 under Proposal Two: Ratification of the Selection of Deloitte & Touche LLP as the Company's Independent Accountants for additional information. A majority of the votes cast is required for the adoption of this proposal. Abstentions will be treated as cast and will have the same effect as a vote against ratification. Broker non-votes are not considered votes cast for or against ratification.

How Does Third Federal Savings and Loan Association of Cleveland, MHC Intend to Vote Its Shares?

All stockholder votes will include the vote of Third Federal Savings and Loan Association of Cleveland, MHC, which, as of January 9, 2008, owned 68.34% of our outstanding shares of common stock. **As such, the vote of Third Federal Savings and Loan Association of Cleveland, MHC will be determinative of the outcome of any vote or election. Third Federal Savings and Loan Association of Cleveland, MHC intends to vote for the election of the four nominees for director and for ratification of the selection of Deloitte & Touche LLP, and in accordance with the recommendation of our Board of Directors on any other matter that properly comes before the meeting.**

How Do I Vote?

You may cast your vote in person at the meeting or by any one of the following ways:

By Telephone: You may call the toll-free number printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Telephone voting is available 24 hours a day. If you vote by telephone, you should not return a proxy card.

Over the Internet: You may visit the web site printed on your proxy card. Follow the simple instructions and use the personalized control number printed on your proxy card to vote your shares. You will be able to confirm that your vote has been properly recorded. Internet voting is available 24 hours a day. If you vote over the Internet, you should not return a proxy card.

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By Mail: You may mark, sign and date the enclosed proxy card and return it in the enclosed postage-paid envelope.

If you sign, date and return the enclosed proxy card or vote by telephone or via the Internet, the shares of common stock represented by your proxy will be voted as you specify. If you return a signed and dated proxy card, but do not indicate how your shares of our common stock should be voted, the shares of common stock represented by your proxy will be voted to elect the directors set forth under the caption Election of Directors and in favor of Proposal Two.

Will My Shares Be Voted if I Do Not Provide Instructions to My Broker?

If you are the beneficial owner of shares held in street name by a broker or other nominee, the broker or other nominee, as the record holder of the shares, is required to vote those shares in accordance with your instructions. If you do not provide your broker or other nominee instructions as to how your shares are to be voted, your broker or other nominee will not be able to vote your shares in the election of directors or with respect to the ratification of the Company's independent accountants, and your shares will not be voted with respect to either matter. We urge you to provide instructions to your broker or nominee so that your vote may be counted on these important matters. You should vote your shares by following the instructions provided on the enclosed proxy card and return the proxy card to your broker or other nominee in a timely manner to ensure that your shares are voted on your behalf.

May I Revoke My Proxy or Change My Vote?

You may revoke or change your vote at any time before your proxy has been exercised by filing a written notice of revocation or a duly executed proxy bearing a later date with the Company at the Company's principal address indicated on the attached Notice of Annual Meeting of Stockholders, by submitting another timely, later-dated vote by telephone or Internet or by giving notice of revocation to the Company in open meeting. However, your presence at the annual meeting of stockholders alone will not be sufficient to revoke your previously granted proxy or vote.

How Will the Proxy Solicitation Be Conducted?

This solicitation of proxies is made by and on behalf of our Board of Directors. The cost of the solicitation of your proxy will be borne by the Company. In addition to solicitation of proxies by mail and electronically, officers and regular associates of the Company may solicit proxies in person, by telephone or facsimile. These officers and associates will not receive any additional compensation for their participation in the solicitation process. We have retained Georgeson Inc. (Georgeson) to assist us in the solicitation of proxies, and will pay fees estimated to be approximately \$6,500 plus reimbursement of out-of-pocket expenses. In addition, our arrangement with Georgeson includes provisions obligating us to indemnify it for certain liabilities that could arise in connection with its solicitation of proxies on our behalf.

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Our bylaws divide our Board of Directors into three classes. As such, you will be voting on the election of four directors, each of whom would serve a three-year term expiring in 2011 and until his successor is elected and appointed. At the annual meeting of stockholders, unless you specify otherwise, the shares of common stock represented by your proxy will be voted to re-elect Messrs. Baird, Fitzpatrick, Mulligan and Stefanik.

If for any reason any of the nominees is unable to serve as a director at the time of the election (which is not expected), the shares of common stock represented by your proxy will be voted for the election of a substitute nominee recommended by our Board of Directors, acting as our nominating committee.

The following table sets forth information regarding the composition of our Board of Directors:

Name	Age	Position(s) Held in		Director Since	Term of Office Expires
		TFS Financial Corporation			
Nominees for Director					
Thomas J. Baird	52	Director		2005	2008
John J. Fitzpatrick	67	Director		2006	2008
William C. Mulligan	54	Director		2007	2008
Paul W. Stefanik	83	Director		1993	2008
Directors Continuing in Office					
Marc A. Stefanski	53	Chairman of the Board, President, Chief Executive Officer and Director		1987	2010
Martin J. Cohen	54	Director		2006	2010
Robert A. Fiala	54	Director		2005	2010
James S. Gascoigne	54	Director		1995	2010
Bernard S. Kobak	79	Secretary and Director		1993	2009
Marianne Piterans	53	Director of Human Resources and Director		2006	2009
Anthony W. Zepp	77	Director		1983	2009

Our Board of Directors recommends that stockholders vote FOR the nominees for election set forth above.

Business Experience of Each Nominee for Director

Thomas J. Baird is the managing partner of Baird & Roselli, a law firm in North Palm Beach, Florida, which he founded in 1990. His practice areas include city, county and local government law; environmental land use law, including eminent domain; real estate; and constitutional law and litigation.

John J. Fitzpatrick, Ph.D. is the founder and a partner of Fitzpatrick Associates dba The Family Business Resource Center and The Business Leadership Center, which he opened in 1989. The company offers a variety of consultation services for executives, organizations and family businesses.

William C. Mulligan has served as a managing director of Primus Capital Funds, a private equity firm, since 1987. Mr. Mulligan joined Primus Capital Funds in 1985 from McKinsey & Company, Inc., an international management consulting firm. Mr. Mulligan serves as a director of several private companies and two public companies, Universal Electronics, Inc. and Athersys, Inc.

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Paul W. Stefanik worked for Third Federal Savings and Loan for 30 years prior to his retirement in 1993. In 1987, Mr. Stefanik was appointed Executive Vice President of Branch Administration, a position he held until his retirement.

Business Experience of Each Continuing Director

Marc A. Stefanski joined Third Federal Savings and Loan in 1982 and was elected Chairman of the Board and Chief Executive Officer in 1988, succeeding his father in these positions. He was elected President of Third Federal Savings and Loan and the Company in 2000. Mr. Stefanski's parents, Ben and Gerome Stefanski, founded Third Federal Savings and Loan in 1938.

Martin J. Cohen has been a managing partner of H & M Management Company, a real estate management company, since 1975 and is manager and part owner of nine apartment complexes.

Robert A. Fiala is president of the architecture firm ThenDesign, which he founded in 1989. He is also a member of the Willoughby, Ohio, City Council.

James S. Gascoigne is the founder and managing member of Baywater Capital Partners LTD, Baywater Associates, LTD, and Baywater Realty Company Limited, which own and invest in real estate and financial assets and provide related financial services. He also is the founder and president of Baywater Management Company, a real estate management company. Mr. Gascoigne established the Baywater entities in 1998. He also is the founder and president of Fairfax Investment Company.

Bernard S. Kobak is the Corporate Secretary of Third Federal Savings and Loan, a position he has held since 1960. Mr. Kobak joined Third Federal Savings and Loan in 1958 and has served as Executive Vice President since 1963.

Marianne Piterans is Director of Human Resources, Public Relations, Training, Security and Administrative Services for Third Federal Savings and Loan. Prior to joining Third Federal Savings and Loan in 1992, Ms. Piterans served as Senior Vice President of the Society National Bank, where she worked for 20 years.

Reverend Anthony W. Zepp started his career as a priest in the Cleveland Catholic Diocese in 1956, and served as a pastor and school administrator until he retired from active service in 2000.

CORPORATE GOVERNANCE

Meetings of the Board of Directors

During the fiscal year ended September 30, 2007, our Board of Directors met five times and the board of directors of Third Federal Savings and Loan, which consists of the same directors as our Board of Directors, met 12 times. During the fiscal year ended September 30, 2007 or such period during the fiscal year as an individual may have served as a director, no director attended fewer than 75% of the total number of meetings of our Boards of Directors and the total number of meetings held by all committees on which the director served. The Company anticipates that its directors will attend the annual meeting of stockholders. Our Board of Directors has established various standing committees, including an Audit Committee, Compensation Committee and Executive Committee. The full Board of Directors acts as the nominating committee.

Independent Directors

A majority of our Board of Directors and all members of the Audit Committee and Compensation Committee are independent, as affirmatively determined by our Board of Directors consistent with the criteria established by the NASDAQ Stock Market.

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Our Board of Directors conducts an annual review of director independence for all current nominees for election as directors and all continuing directors. In connection with this review, our Board of Directors considers all relevant facts and circumstances relating to relationships that each director, his or her immediate family members and their related interests had with the Company and its subsidiaries.

As a result of this review, our Board of Directors affirmatively determined that nominees Messrs. Baird, Fitzpatrick, Mulligan and Stefanik, and continuing directors Messrs. Cohen, Fiala and Zepp, are independent. Our Board of Directors determined that Mr. Stefanski, Ms. Piterans and Mr. Kobak are not independent because they are associates of the Company.

Our Board of Directors also determined that Mr. Gascoigne is not independent because of his business relationship with Third Capital, Inc., a wholly owned subsidiary of the Company. Mr. Gascoigne, in addition to his duties as a director of Third Federal Savings and Loan, the Company and Third Federal Savings and Loan Association of Cleveland, MHC, is the managing member of Baywater Capital Partners LTD, Baywater Realty Company LTD, and the owner and president of Baywater Management Company. These and other related entities provide real estate and management services to Hazelmere Investment Group I LTD and Hazelmere of California LP, which are 70% owned by Third Capital, Inc. In June of 2007, Hazelmere of California LP sold one property. Hazelmere Investment Group I LTD continues to own two properties. During the fiscal year ended September 30, 2007, the Baywater Entities and another entity controlled by Mr. Gascoigne collectively received management fees of \$725,780, a sales commission of \$172,500 and a distribution of operating cash of \$611,526 from the Hazelmere entities. Third Capital, Inc. received distributions, including cash flows and capital proceeds, totaling \$20,890,000 during the year.

Additionally, while our Board of Directors has determined that Mr. Fiala is independent, in making this determination it considered that an architectural firm owned by Mr. Fiala rendered services to a subsidiary of the Company in an amount less than \$60,000.

Executive Session

The non-management directors of our Board of Directors meet periodically in executive session without management.

Nominating Committee

Our Board of Directors has determined that the Company is a Controlled company, as defined by the NASDAQ Stock Market, because Third Federal Savings and Loan Association of Cleveland, MHC currently owns more than 50% of our common stock. Therefore, the full Board of Directors acts as our nominating committee and met once in this capacity during the fiscal year ended September 30, 2007. In that capacity, our Board of Directors recommended a slate of nominees for election by stockholders at the Company's annual meeting of stockholders.

As set forth in our Policy and Procedures for Stockholder Recommendations for Director Candidates (the Policy), our Board of Directors will consider suggestions forwarded by stockholders to the Secretary of the Company concerning qualified candidates for election as directors. To recommend a prospective nominee for our Board of Directors' consideration, a stockholder may submit the candidate's name, qualifications and other pertinent information required by the Policy to the Company's Secretary at the following address: 7007 Broadway Avenue, Cleveland, Ohio 44105. Our Board of Directors has not established specific minimum qualifications a candidate must have in order to be recommended for election to our Board of Directors. However, in determining qualifications for new directors, it will consider a potential member's qualification as independent under the NASDAQ Stock Market listing standards, as well as his or her age, skill and experience in the context of the needs of our Board of Directors.

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Under our bylaws, no nomination for director, except one made by the Board of Directors, will be voted upon unless the nomination is made in writing and delivered to the Company's Secretary at least 30 days prior to the date of the annual meeting. Upon delivery, a nomination will be posted in a conspicuous place in each office of the Company. Ballots bearing the names of all persons nominated by the Board of Directors and by stockholders will be provided for use at the annual meeting. However, if the Board of Directors fails or refuses to act at least 20 days prior to the annual meeting, nominations for directors may be made at the annual meeting by any holders of shares of common stock entitled to vote, and will be voted upon.

Our Board of Directors has recommended for election each of the nominees identified in "Proposal One: Election of Directors" on page 4.

A current copy of the Policy and Procedures for Stockholder Recommendations for Director Candidates is available to stockholders on the Company's web site, www.thirdfederal.com, under "Investor Relations" and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Audit Committee

The Audit Committee consists of Messrs. Mulligan (Chairman), Cohen, Stefanik and Zepp. Mr. Fitzpatrick was a member of the Audit Committee until resigning from the committee on October 25, 2007 due to the fact that Mr. Fitzpatrick also serves on the Compensation Committee and travel and time constraints made participation on two committees difficult. The Audit Committee is responsible for providing oversight relating to our financial statements and financial reporting process, systems of internal accounting and financial controls, internal audit function, annual independent audit and the compliance and ethics programs established by management and our Board of Directors. The Audit Committee also serves as our Qualified Legal Compliance Committee. Each member of the Audit Committee is independent in accordance with the listing standards of the NASDAQ Stock Market and under Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended. Our Board of Directors has determined that Mr. Mulligan is an "audit committee financial expert" as that term is defined by the rules and regulations of the Securities and Exchange Commission. The Audit Committee met eight times during the fiscal year ended September 30, 2007.

A current copy of the Audit Committee's charter is available to stockholders on the Company's web site, www.thirdfederal.com, under "Investor Relations" and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Compensation Committee

The members of the Compensation Committee of the Board of Directors (the "Committee") are Messrs. Fiala (Chairman), Baird (Vice Chairman) and Fitzpatrick. The Committee held six meetings during the fiscal year ended September 30, 2007.

The Committee is responsible for assisting our Board of Directors in overseeing the following primary areas:

Reviewing and approving the goals and objectives relevant to the compensation of the Chief Executive Officer and the Company's other executive officers and ensuring those goals are aligned with the Company's short- and long-term objectives;

Reviewing, at least annually, the structure and compensation opportunities available under the Company's executive and associate compensation plans in light of the Company's goals and objectives;

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Reviewing and approving salary, annual and long-term incentive compensation targets, performance objectives and payments for the executive officers of the Company;

Evaluating, at least annually, the performance of the executive officers in light of the Company's strategic plan and the goals and objectives of the Company's executive compensation plans and establishing future compensation levels based upon this evaluation;

Reviewing and approving grants and awards to the executive officers and other participants under equity-based compensation plans, if adopted, based on achievement of pre-determined goals and objectives;

Reviewing and approving compensation for members of our Board of Directors and any of its committees; and

Reviewing and approving any employment agreements and severance agreements to be made with any existing or prospective executive officer of the Company.

A copy of the Compensation Committee's charter is available to stockholders on the Company's web site, www.thirdfederal.com, under Investor Relations and a written copy is available to stockholders upon written request to the Company, to the attention of Investor Relations at 7007 Broadway Avenue, Cleveland, Ohio 44105.

Executive Committee

The Executive Committee, which currently consists of Messrs. Stefanski (Chairman), Kobak and Gascoigne, possesses the power of our Board of Directors during intervals between meetings of our Board of Directors in order to address various items, including rate changes and approval of agreements and contracts. The Executive Committee does not possess the power to fill vacancies on our Board of Directors or any Board of Directors committees. The Executive Committee held 52 meetings in fiscal 2007.

Code of Conduct and Code of Ethics

The Company has adopted policies governing the activities of both the Company and Third Federal Savings and Loan, including a code of conduct and a code of ethics for senior financial officers. The code of conduct applies to all associates and directors, and addresses conflicts of interest, the treatment of confidential information, general associate conduct and compliance with applicable laws, rules and regulations. The code of ethics for senior financial officers applies to the Chief Executive Officer, the Chief Financial Officer and the Chief Accounting Officer, and addresses adherence to standards of integrity and professionalism when conducting and reporting the Company's financial affairs. In addition, the codes are designed to deter wrongdoing and to promote honest and ethical conduct, full and accurate disclosure and compliance with all applicable laws, rules and regulations. The codes are posted on the Company's web site, www.thirdfederal.com, under Investor Relations. Any waiver of any provision of either code granted to an executive officer or director may be made only by our Board of Directors. There were no waivers granted during fiscal year 2007.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee reviews the Company's financial reporting practices on behalf of our Board of Directors. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent accountants are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles.

The Audit Committee has:

Reviewed and discussed with the Company's management and the Company's independent accountants, Deloitte & Touche LLP, the audited financial statements of the Company contained in its Annual Report on Form 10-K for the fiscal year ended September 30, 2007;

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Discussed with the Company's independent accountants the matters required to be discussed pursuant to Statement of Auditing Standards No. 61 (Codification of Statements on Auditing Standards, AU Section 380) as adopted by the Public Company Accounting Oversight Board, which includes, among other items, matters related to the conduct of the audit of the Company's financial statements; and

Received and reviewed the written disclosures and the letter from the Company's independent accountants required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and discussed with the independent accountants the independent accountants' independence.

Based on the reviews and discussions described in the preceding bulleted paragraphs, the Audit Committee recommended to our Board of Directors that the audited financial statements for the fiscal year ended September 30, 2007, be included in the Company's Annual Report on Form 10-K, filed with the SEC.

Audit Committee

William C. Mulligan, Chairman

Martin J. Cohen

Paul W. Stefanik

Anthony W. Zepp

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The following discussion and analysis should be read in conjunction with the information presented in the compensation tables, the footnotes to those tables and the related disclosures appearing later in this proxy statement. The tables and related disclosures contain specific information about the compensation earned or paid during the fiscal year ending September 30, 2007. As such, the compensation discussed herein reflects a compensation program that was in effect during the period that the Company was a mutual holding company and did not have publicly traded stock. While the Company became publicly held during the last half of fiscal year 2007, the compensation programs have not yet been modified to reflect the new ownership structure. The Company has retained a compensation consultant with respect to fiscal year 2008 to advise on the design of stock-based incentive compensation plans and modifications to its compensation programs. The Company expects to make significant changes to its compensation programs during fiscal year 2008. The tables and related disclosures that follow cover the following individuals, whom we refer to as our named executive officers:

Marc A. Stefanski, President and Chief Executive Officer

Ralph M. Betters, Chief Information Officer

David S. Huffman, Chief Financial Officer

Marianne Piterans, Director of Human Resources

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John P. Ringenbach, Chief Operating Officer, Third Federal Savings and Loan Association

Each of the named executive officers is an officer of the Company and employed by Third Federal Savings and Loan. Of the total compensation paid to each named executive officer, a portion of such compensation is allocated as being paid by the Company while the remainder is allocated as being paid by Third Federal Savings and Loan. All discussion of compensation paid to the named executive officers refers to the combined amount of compensation paid by the Company and Third Federal Savings and Loan.

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The compensation and benefits payable to the Company's directors and executive officers are established by or under the supervision of the Committee. The Committee consists of three members, Robert A. Fiala (Chairman), Thomas J. Baird (Vice Chairman) and John J. Fitzpatrick, each of whom is an independent director within the meaning of the listing standards of the NASDAQ Stock Market, a disinterested director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended, and a non-employee director within the meaning of Section 162(m) of the Internal Revenue Code.

The purposes of the Committee, among others, are to discharge our Board of Directors' responsibilities relating to compensation of the Company's directors and officers and approve and evaluate the director and executive officer compensation plans, policies and programs of the Company.

The Committee's charter provides that the Committee will generally meet quarterly or as needed. During fiscal year 2007, the Committee held six meetings. The agenda for each meeting is established by the Chairman of the Committee. The Committee generally invites the Company's Director of Human Resources, and frequently invites other members of senior management and outside advisors, as necessary, to participate in its deliberations. In addition, the Committee meets in executive session without management at each meeting.

Design of the Compensation Program

The Company's compensation program is designed to reward an operating strategy that emphasizes teamwork and personal and professional enhancement through cross training and efficiency. The Company maintains a flat organizational structure, which is intended to provide a framework for effective and prompt decision making, associate job satisfaction, shared resources and the ability to respond quickly to changes in the marketplace. In order to be effective with this flat organizational structure, the Company must be able to attract, retain and motivate superior associates, including executive officers, and, in order to achieve this goal, those associates must be compensated at a level commensurate with their performance when measured against associates at comparable companies.

Compensation Setting Process and Objectives

On an annual basis, the Committee reviews and recommends compensation levels for executive officers based on the Company's performance, individual performance and experience and market comparisons.

While the Company has retained a compensation consultant to assist with the compensation setting process in the past and for fiscal year 2008, no consultant was engaged for fiscal year 2007. For fiscal year 2007, the Committee established a peer group comprised of competitors contained in a compensation analysis provided by a compensation consultant during a prior year and other institutions that had recently completed a conversion. The companies included in the peer group for fiscal year 2007 were as follows:

Bank of Hawaii Corporation	NewAlliance Bancshares, Inc.
BankUnited Financial Corp.	Northwest Bancorp, Inc. (MHC)
Capitol Federal Financial (MHC)	Old National Bancorp
Citizens Banking Corporation	People's Bank (MHC)
Corus Bankshares, Inc.	Provident Financial Services, Inc.
East West Bancorp, Inc.	TrustMark Corporation
FirstFed Financial Corp.	UMB Financial Corporation
First Niagara Financial Group, Inc.	Washington Federal, Inc.
FirstMerit Corporation	Whitney Holding Corporation
First Republic Bank	Wilmington Trust Corporation
International Bancshares Corp.	Wintrust Financial Corporation
MAF Bancorp, Inc.	

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In making determinations on the mix and amount of executive compensation, the Committee reviews all components of executive compensation, including base salary, semi-annual performance-based cash bonuses, associate benefits, costs of perquisites and any other form of compensation received from the Company. The Committee believes that the total compensation opportunity available to executive officers should consist of base salary, performance-based cash bonuses, retirement and other associate benefits and perquisites, each of which is a common compensation component for executive officers at companies in the peer group. The Committee has no mandatory policy for the allocation between salary and performance-based compensation. However, for fiscal year 2007, the mix of pay between base salary and performance-based compensation was as follows for each of the named executive officers:

Named Executive Officer	Base Salary	Performance-based Compensation
Marc A. Stefanski	50%	50%
John P. Ringenbach	50	50
Marianne Piterans	50	50
Ralph M. Betters	50	50
David S. Huffman	50	50

In order to compensate executive officers based on the Company's performance, a significant percentage of total compensation for the Company's executive officers, including the named executive officers, during fiscal year 2007 was allocated to semi-annual performance-based cash bonus awards. Although the Company does not currently have any stock-based benefit plans that provide for grants of stock options and awards of shares of common stock, it expects to adopt one or more of such plans after the date that is one year following its initial public offering in order to further assure the alignment of interests of the Company's executive officers with its stockholders. The specific terms of those plans have not been determined, but they will comply with all applicable regulations of the OTS.

As Chairman and Chief Executive Officer, Mr. Stefanski's compensation is significantly higher than that of the other named executive officers due to his scope of responsibility, his tenure and experience with the Company, his impact on the performance of the Company, and the competitive compensation levels for Chief Executive Officers of peer companies. Mr. Stefanski also is an integral part of our marketing campaign as spokesman, and his family's name is an important part of our brand image.

Elements of Compensation

The elements of the Company's executive compensation program for fiscal year 2007 consisted of base salary; semi-annual performance-based cash bonuses; retirement benefits in the form of a defined benefit pension plan, a qualified defined contribution plan with a profit-sharing component, a supplemental executive retirement plan and non-qualified deferred compensation plans; an associate stock ownership program, and life insurance, health insurance and other perquisites and personal benefits.

Base Salary. The Company defines base salary as a fixed amount of money that associates, including the named executive officers, receive in exchange for sustained performance of job duties and responsibilities over time. Base salary is intended to provide the Company the ability to attract and retain the highest quality professionals in their fields. The Company reviews the base salary of its executive officers annually to determine competitiveness with the peer group. Based on a comparison of base salaries of the named executive officers to those of the peer group, the Company did not increase the base salary of any named executive officer during fiscal year 2007. As a result, the base salary of each named executive officer during fiscal year 2007 was:

Named Executive Officer	Base Salary (\$)
Marc A. Stefanski	900,000
John P. Ringenbach	367,992
Marianne Piterans	306,581
Ralph M. Betters	288,926
David S. Huffman	276,963

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Semi-Annual Performance-Based Cash Bonuses. All of the Company's associates, including the named executive officers, are eligible to receive semi-annual performance-based cash bonuses. This program is intended to provide an incentive for superior performance and payouts that are competitive with the market in terms of amount. The Company believes that paying these bonuses on a semi-annual, rather than an annual, basis focuses associates on achieving goals throughout the year by recognizing and rewarding associates concurrently with their performance and contributions.

The Committee has discretion concerning the factors it deems relevant and considers in determining whether a bonus is paid and, if a bonus is paid, the amount of the bonus. Among the factors considered by the Committee are performance by the Company with respect to performance measures established prior to the beginning of each semi-annual period, including overall bank performance measures. In making determinations, the Committee considers performance with respect to all of these measures as a group, rather than assigning any specific weighting to each individual measure, and, as discussed below, the Committee believed actual performance with respect to these measures as a group exceeded expectations during both semi-annual periods in fiscal year 2007. The Committee also considers the recommendation of Mr. Stefanski with respect to bonuses for the other executive officers.

In determining the performance measures for both semi-annual periods during fiscal year 2007, the Company's President and Chief Executive Officer and its Chief Financial Officer worked with the Chief Operating Officer of Third Federal Savings and Loan to determine the measures that would need to be accomplished in order for the Company to grow as planned during fiscal year 2007 while reducing exposure to interest rate risk. The measures were largely based on Office of Thrift Supervision (OTS) measures and what these executive officers viewed as required to grow the Company's customer base and product offerings. Once these executive officers had determined the measures, they presented them to the Committee for review and approval.

Certain of the performance measures approved by the Committee and the Company's performance with respect to those measures, each of which was calculated in accordance with the applicable OTS definition, were as follows for the period from October 1, 2006 through March 31, 2007:

Measurement	Target (%)	Actual (%)
Capital Preservation - Core	4.00	9.37
Capital Preservation - Risk Based	8.00	13.60
Interest Rate Risk - Exposure Net Present Value	8.00	8.70
Liquidity Parameters	2.00	7.12 - 17.59

The performance measures also included performance with respect to Interest Rate Risk Sensitivity, which was 3.08% as of March 31, 2007. The Committee also recognized the performance period as being unique because of the work leading up to the initial public offering, including the increased responsibilities of the named executive officers to ensure a smooth transition from a mutual to a public company. The offering period for the Company's subscription and community offering expired on March 26, 2007 and was oversubscribed by eligible account holders of Third Federal Savings and Loan.

Based on the oversubscription, performance in excess of each of the previously mentioned performance measures during this period, and with respect to the named executive officers other than Mr. Stefanski, the recommendation of Mr. Stefanski, the named executive officers received a cash bonus of 50% of base compensation for the six-month period. The dollar amounts of the bonuses were as follows:

Named Executive Officer	Bonus (\$)
Marc A. Stefanski	450,000
John P. Ringenbach	183,996
Marianne Piterans	153,290
Ralph Betters	144,463
David S. Huffman	138,482

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For the period from April 1, 2007 to September 30, 2007, 75% of the bonus was to be based on objective measures and 25% of the bonus was to be based on subjective measures. The Committee considered additional performance measures during the period from April 1, 2007 to September 30, 2007. Certain of the performance measures approved by the Committee and the Company's performance with respect to those measures were as follows (with the first five measures being calculated in accordance with the applicable OTS definition):

Measurement	Threshold	Target	Maximum	Actual
Capital Preservation Core	4.00%	5.00%	6.00%	13.29%
Capital Preservation Risk Based	8.00%	10.00%	12.00%	21.26%
Interest Rate Risk Exposure Net Present Value	6.00%	8.00%		11.27%
Interest Rate Risk Sensitivity	4.00% or less	3.75% or less		3.18%
Liquidity Parameters		2.00%		16.56% - 18.01%
Full-time Associate Staffing		1,000 or less		920

The Committee also considered performance measures concerning increases in deposit customers and increases in home equity line of credit customers. The Company performed at the threshold level with respect to increases in deposit customers and in excess of maximum with respect to increases in home equity line of credit customers.

The Committee considered performance at the threshold level with respect to these measures to be the minimum performance acceptable and performance at the maximum level to be exceptional performance with respect to measures for which a maximum level was set. The performance level with respect to each measure was considered in the Committee's determination of bonuses.

The Committee also considered the Company's Community Reinvestment Act Rating and Safety and Soundness Rating as well as subjective measures concerning expansion of branch offices in Florida, improved branch efficiency in northern Ohio and maintenance of a conclusion of no material weaknesses with respect to the Company's audit. The Committee believed that performance with respect to the subjective measures during this period met or exceeded expectations.

Based on the Company's performance in excess of target with respect to the previously mentioned performance measures (other than increased deposits) during this period and in excess of the maximum with respect to certain measures, the Company's low 5% associate turnover for the fiscal year, and with respect to the named executive officers other than Mr. Stefanski, the recommendation of Mr. Stefanski, the named executive officers received a semi-annual cash bonus of 50% of base compensation for the period. The dollar amount of such bonus was as follows:

Named Executive Officer	Bonus (\$)
Marc A. Stefanski	450,000
John P. Ringenbach	183,996
Marianne Piterans	153,290
Ralph Betteres	144,463
David S. Huffman	138,482

Retirement Benefits. In addition to the 401(k) Plan and the ASOP, with respect to which the Company's contributions on behalf of the named executive officers are included in the Summary Compensation Table on page 17, each of the Company's executive officers, including the named executive officers, is eligible to participate in the retirement plans discussed below. The Committee believes these plans provide financial security that promotes retention.