

TF FINANCIAL CORP  
Form DEF 14A  
March 26, 2014

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

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

TF FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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| (1) | Title of each class of securities to which transaction applies:  |
| (2) | Aggregate number of securities to which transaction applies:   |
| (3) | Per unit price or other underlying value of transaction<br>computed pursuant to Exchange Act Rule 0-11 (set forth the<br>amount on which the filing fee is calculated and state how it<br>was determined): |
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- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
  
  - (2) Form, Schedule or Registration Statement No.:
  
  
  - (3) Filing Party:
  
  
  - (4) Date Filed:
-

March 25, 2014

Dear Stockholders:

On behalf of the Board of Directors and management of TF Financial Corporation (the “Company”), I cordially invite you to attend the 2014 Annual Meeting of Stockholders to be held at Holy Family University, One Campus Drive, Room 138, Newtown, Pennsylvania on April 23, 2014 at 9:30 a.m., Eastern Time. The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the meeting. During the meeting, I will also report on the operations of the Company. Directors and officers of the Company will be present to respond to any questions stockholders may have.

At the meeting, in addition to the election of three directors and the ratification of auditors, stockholders will be asked, in accordance with the requirements of the Securities and Exchange Commission, to consider a non-binding advisory proposal on executive compensation (commonly referred to as a “say on pay” proposal).

Whether or not you plan to attend the meeting, please sign and date the enclosed proxy card and return it in the accompanying postage-paid return envelope as promptly as possible. This will not prevent you from voting in person at the meeting, but will assure that your vote is counted if you are unable to attend the meeting. **YOUR VOTE IS VERY IMPORTANT.**

Sincerely,

Kent C. Lufkin  
President and Chief Executive Officer

TF FINANCIAL CORPORATION  
3 PENNS TRAIL  
NEWTOWN, PENNSYLVANIA 18940  
(215) 579-4000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 23, 2014

NOTICE IS HEREBY GIVEN that the 2014 Annual Meeting (the "Meeting") of Stockholders of TF Financial Corporation (the "Company") will be held at Holy Family University, One Campus Drive, Room 138, Newtown, Pennsylvania on April 23, 2014 at 9:30 a.m., Eastern time.

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

1. The election of three directors of the Company;
2. The ratification of the appointment of S.R. Snodgrass, P.C. as the Company's independent auditor for the fiscal year ending December 31, 2014;
3. A non-binding advisory proposal regarding the Company's executive compensation; and
4. The transaction of such other matters as may properly come before the Meeting or any adjournment thereof. The Board of Directors is not aware of any other business to come before the Meeting

Any action may be taken on the foregoing proposals at the Meeting on the date specified above or on any date or dates to which, by original or later adjournment, the Meeting may be adjourned. Stockholders of record at the close of business on February 26, 2014 are the stockholders entitled to notice of and to vote at the Meeting and any adjournments thereof.

You are requested to complete, sign and date the enclosed proxy card which is solicited by the Board of Directors and to return it promptly in the enclosed envelope. The proxy will not be used if you attend and vote at the Meeting in person.

BY ORDER OF THE BOARD OF DIRECTORS

Lorraine A. Wolf  
Corporate Secretary

Newtown, Pennsylvania  
March 25, 2014

IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE THE COMPANY THE EXPENSE OF FURTHER REQUESTS FOR PROXIES IN ORDER TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

Important Notice Regarding the Availability of Proxy Materials  
for the Stockholder Meeting to be Held on April 23, 2014

The Proxy Statement, Annual Report on Form 10-K for the fiscal year ended December 31, 2013,  
and the 2013 Annual Report to Stockholders are available at [www.3rdFedBank.com](http://www.3rdFedBank.com).

Please contact Lorraine A. Wolf, our Corporate Secretary, at 215-579-4000 to obtain directions to the Meeting.

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PROXY STATEMENT  
OF  
TF FINANCIAL CORPORATION  
3 PENNS TRAIL  
NEWTOWN, PENNSYLVANIA 18940

ANNUAL MEETING OF STOCKHOLDERS  
APRIL 23, 2014

GENERAL

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of TF Financial Corporation (the “Company”) to be used at the 2014 Annual Meeting of Stockholders (the “Meeting”) of the Company which will be held at Holy Family University, One Campus Drive, Room 138, Newtown, Pennsylvania on April 23, 2014 at 9:30 a.m., Eastern Time. This Proxy Statement and the accompanying Notice of Annual Meeting of Stockholders, form of proxy and Annual Report to Stockholders are being first mailed to stockholders on or about March 25, 2014. The Company is the parent company of 3rd Fed Bank (the “Bank”) and Penns Trail Development Corporation.

At the Meeting, stockholders will consider and vote upon (i) the election of three directors, (ii) the ratification of the appointment of S.R. Snodgrass, P.C. as independent auditors of the Company for the fiscal year ending December 31, 2014, and (iii) a non-binding advisory proposal regarding the Company’s executive compensation. The Board of Directors knows of no additional matters that will be presented for consideration at the Meeting. Execution of a proxy, however, confers on the designated proxy holder discretionary authority to vote the shares represented by such proxy in accordance with their best judgment on such other business, if any, which may properly come before the Meeting or any adjournment thereof.

VOTING AND REVOCABILITY OF PROXIES

Stockholders who execute proxies retain the right to revoke them at any time. Unless so revoked, the shares represented by such proxies will be voted at the Meeting and all adjournments thereof. Proxies may be revoked by written notice to the Secretary of the Company at the address above or by the filing of a later dated proxy prior to a vote being taken on a particular proposal at the Meeting. A proxy will not be voted if a stockholder attends the Meeting and votes in person. Proxies solicited by the Board of Directors of the Company will be voted as specified thereon. If no specification is made, proxies will be voted “FOR” the nominees for director set forth herein, “FOR” the ratification of the appointment of S.R. Snodgrass, P.C. as the Company’s independent auditor for the fiscal year ending December 31, 2014, and “FOR” the non-binding advisory proposal regarding the Company’s executive compensation (the “say on pay” proposal). The proxy confers discretionary authority on the persons named therein to vote with respect to the election of any person as a director if the nominee is unable to serve, or for good cause will not serve, and matters incident to the conduct of the Meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Stockholders of record as of the close of business on February 26, 2014 (the "Record Date") are entitled to one vote for each share of Common Stock of the Company then held. As of the Record Date, the Company had 3,150,244 shares of Common Stock outstanding and eligible to vote.

The amended and restated articles of incorporation of the Company (the "Articles") provide that in no event shall any record owner of any outstanding Common Stock which is beneficially owned, directly or indirectly, by a person who beneficially owns in excess of 10% of the then-outstanding shares of Common Stock (the "Limit") be entitled or permitted to any vote with respect to the shares held in excess of the Limit. Beneficial ownership is determined pursuant to Rule 13d-3 of the General Rules and Regulations promulgated pursuant to the Securities

Exchange Act of 1934, as amended (the “Exchange Act”), and includes (i) shares beneficially owned by such person or any of his or her affiliates (as defined in the Articles), (ii) shares which such person or his or her affiliates have the right to acquire upon the exercise of conversion rights or options and (iii) shares as to which such person and his or her affiliates have or share investment or voting power, but shall not include shares beneficially owned by any employee stock ownership or similar plan of the issuer or any subsidiary.

The presence in person or by proxy of at least a majority of the outstanding shares of Common Stock entitled to vote (after subtracting any shares held in excess of the Limit) is necessary to constitute a quorum at the Meeting. Abstentions and broker non-votes (i.e., shares held by brokers on behalf of their customers that may not be voted on certain matters because the brokers have not received specific voting instructions from their customers with respect to such matters) will be counted solely for the purpose of determining whether a quorum is present. In the event there are not sufficient votes for a quorum or to ratify or adopt any proposal at the time of the Meeting, the Meeting may be adjourned in order to permit the further solicitation of proxies. Please note that under the New York Stock Exchange (“NYSE”) rules that govern how brokers vote your stock, your brokerage firm or other nominee may not vote your shares with respect to Proposals I or III without specific instructions from you as to how to vote as these matters are not considered to be a “routine” matter under the NYSE rules.

As to the election of directors (Proposal I), the proxy card being provided by the Board of Directors allows a stockholder to vote for the election of the nominees proposed by the Board of Directors or to withhold authority to vote for any or all of the nominees being proposed. Under the Company’s bylaws, directors are elected by a plurality of votes cast.

Concerning Proposals II and III (the ratification of auditors and the “say on pay” proposal), by checking the appropriate box, a stockholder may: vote “FOR” the item, vote “AGAINST” the item, or “ABSTAIN” with respect to the item. Both of these Proposals shall be determined by a majority of votes cast affirmatively or negatively without regard to broker non-votes or proxies marked “ABSTAIN” as to that matter.

#### Participants in the 3rd Fed Bank Employee Stock Ownership Plan

If you are a participant in the 3rd Fed Bank Employee Stock Ownership Plan (the “ESOP”), you will receive a voting instruction form on behalf of the ESOP that reflects all the shares that you may vote under the plan. Under the terms of the ESOP, all shares held by the ESOP are voted by the ESOP Trustees, but each participant in the ESOP may direct the ESOP Trustees on how to vote the shares of Common Stock allocated to his or her account. Unallocated shares and allocated shares for which no voting instructions are received will be voted by the ESOP Trustees as directed by the Board of Directors, subject to their fiduciary duties.

#### Security Ownership of Certain Beneficial Owners

Persons and groups owning in excess of 5% of the Company’s Common Stock are required to file reports regarding such ownership pursuant to the Exchange Act. The following table sets forth, as of the Record Date, certain information as to the Common Stock beneficially owned by persons and groups owning in excess of 5% of the Company’s Common Stock. Management knows of no persons or groups other than those set forth below who own more than 5% of the Company’s outstanding shares of Common Stock as of the Record Date.



Security Ownership of Certain Beneficial Owners	Amount and Nature of Beneficial Ownership	Percent of Shares of Common Stock Outstanding
Thomson Horstmann & Bryant, Inc. 501 Merritt 7 Norwalk, Connecticut 06851	297,055(1)	9.43%
Dimensional Fund Advisors, LP Palisades West, Building One, 6300 Bee Cave Road Austin, Texas 78746	187,967(2)	5.97%
Joseph Stilwell 111 Broadway, 12th Floor New York, New York 10006	167,447(3)	5.32%
Lawrence B. Seidman 100 Misty Lane 1st Floor Parsippany, New Jersey 07054	161,870(4)	5.14%
3rd Fed Bank Employee Stock Ownership Plan ("ESOP") 3 Penns Trail Newtown, Pennsylvania 18940	277,698(5)	8.82%
All directors and executive officers as a group (12 persons)	639,871(6)	19.59%

(1) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 11, 2014.

(2) Based on the Schedule 13G/A filed with the Securities and Exchange Commission on February 10, 2014.

(3) Based on the Schedule 13D/A filed with the Securities and Exchange Commission on December 9, 2013.

(4) Based on the Schedule 13F filed with the Securities and Exchange Commission on February 12, 2014.

(5) Directors Dusek and Tantala serve as the ESOP Trustees. The Board instructs the ESOP Trustees regarding investment of ESOP plan assets. The ESOP Trustees, subject to their fiduciary duties, must vote all shares allocated to participant accounts under the ESOP as directed by participants. Unallocated shares and shares for which no timely voting direction is received will be voted by the ESOP Trustees, subject to their fiduciary duties, as directed by the Board of Directors. As of the Record Date, 187,574 shares have been allocated to participant accounts under the ESOP including 14,418 shares to executive officers, and 90,124 shares are unallocated for which the ESOP Trustees have shared voting and dispositive power.



(6) Includes shares of Common Stock held directly as well as by spouses or minor children, in trust and other indirect beneficial ownership. Includes 14,418 shares held in the ESOP allocated to the accounts of executive officers of the Company and the Bank for which officers and directors possess shared voting power and no investment power and options to purchase an additional 115,769 shares which executive officers and directors may acquire pursuant to the exercise of options exercisable within 60 days of the Record Date. Excludes 90,124 shares held by the ESOP which have not been allocated to participant accounts, for which the Board of Directors directs the voting of such shares in accordance with its fiduciary duties (see footnote 5 above).

## PROPOSAL I - ELECTION OF DIRECTORS

### General Information and the Nominees; Security Ownership of Management

The Company's Articles require that directors be divided into three classes, each class as nearly equal in number as possible, each class to serve for a three-year period, with approximately one-third of the directors elected each year. The Board of Directors currently consists of nine members.

H. Donald Perkins, Jr., Dennis Pollack and Albert M. Tantala, Sr., have been nominated by the Board of Directors for terms of three years each. Messrs. Perkins, Pollack and Tantala currently serve as directors of the Company.

The following table sets forth information with respect to the nominees for director and the directors continuing in office, including their names, ages, the year they first became directors of the Company or the Bank, and the number and percentage of shares of the Common Stock beneficially owned by each as of the Record Date. Each director of the Company is also a member of the Board of Directors of the Bank with the exception of Messrs. Gregory and Pollack.

The following table also sets forth information with respect to executive officers who are not directors, including their names, ages, and the percentage of shares of the Common Stock beneficially owned by each as of the Record Date.

Name	Age(1)	Year First Elected or Appointed(2)	Current Term to Expire	Shares of Common Stock Beneficially Owned (3)	Percent of Class
<b>BOARD NOMINEES FOR TERM TO EXPIRE 2017</b>					
H. Donald Perkins, Jr.	56	2009	2014	10,304 (4)	*
Dennis Pollack	63	2012	2014	14,808 (5)	*
Albert M. Tantala, Sr.	75	1984	2014	149,741 (6)(7)	4.74%
<b>DIRECTORS CONTINUING IN OFFICE</b>					
Carl F. Gregory	79	1976	2015	113,415 (8)	3.59%
Kent C. Lufkin	61	2003	2015	78,661 (9)	2.46%
Joseph F. Slabinski, III	64	2006	2015	24,098 (10)	*
Robert N. Dusek	74	1974	2016	137,557 (6)(11)	4.36%
Kenneth A. Swanstrom	74	2003	2016	14,242 (12)	*
James B. Wood	53	2004	2016	15,833 (13)	*
<b>EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS</b>					
Dennis R. Stewart	64	N/A	N/A	32,531 (14)	1.03%
Elizabeth A. Kaspern	55	N/A	N/A	12,572 (15)	*

\* less than 1%

(1) At December 31, 2013.

(2) Refers to the year the individual first became a director of the Bank or the Company.

(3) Includes shares of Common Stock held directly as well as by spouses or minor children, in trust and other indirect ownership, over which shares the individuals effectively exercise sole or shared voting and investment power, unless otherwise indicated.

(4) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date. Includes 5,000 shares which have been pledged to secure a loan.

(5) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.

(6) Excludes 90,124 unallocated shares of Common Stock held by the ESOP for which such individual serves as an ESOP Trustee. Such individual disclaims beneficial ownership with respect to such shares held in a fiduciary capacity.

(7) Includes 7,500 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.

(8) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.

(9) Includes 43,917 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date. Includes 5,827 shares allocated to Mr. Lufkin's account held in the ESOP.

(10) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.

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- (11) Includes 7,500 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.
- (12) Includes 5,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date.
- (13) Includes 9,322 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date. Includes 2,500 shares which have been pledged to secure a loan.
- (14) Includes 12,000 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date. Includes 6,549 shares allocated to Mr. Stewart's account held in the ESOP.
- (15) Includes 10,530 shares which may be acquired pursuant to the exercise of stock options which are exercisable within 60 days of the Record Date. Includes 2,042 shares allocated to Ms. Kaspern's account held in the ESOP

#### Biographical Information

Set forth below are biographies of the nominees for director, the continuing directors and executive officers of the Company and the Bank. These biographies contain information regarding the person's service as a director, business experience, other directorships at any point during the last five years with any other public companies and information regarding involvement with certain types of proceedings, if applicable. The biographies also describe the skills, experience and attributes that caused the Nominating Committee to nominate the nominees and that qualify the continuing directors to continue to serve on the Board.

#### Nominees for Director

H. Donald Perkins, Jr., has served as a director of the Bank since January 2009 and was appointed to the Company Board effective May 1, 2013. Mr. Perkins is a Managing Partner and founding member of Zon Capital Partners, an early-stage venture fund. Prior to the formation of Zon Capital, Mr. Perkins was a Partner and Founder of Zon Partners, an early-stage investment and consulting company. His previous work experience includes McKinsey and Company in Pittsburgh and London. He also led GE Corporate's Business Development team and then moved to the position of General Manager with GE Silicones in Waterford, NY. Mr. Perkins later became Vice President in the Automotive Division of Allied Signal in Southfield, Michigan. Mr. Perkins also sits on the Board of Directors for AirClic, a technology company in Newtown, PA. Mr. Perkins has a BS in Chemical Engineering from Clarkson University and an MBA from the Wharton School of the University of Pennsylvania. Mr. Perkins' director qualifications include his business experience, expertise in financial services and business relationships, and his in-depth knowledge of the markets in which the Company is located.

Dennis Pollack was appointed to the Board of the Company in January 2012. Previously, Mr. Pollack held numerous executive positions, including: Divisional President at Sony Corporation of America, President and CEO of the Connecticut Bank of Commerce, President and CEO of The Savings Bank of Rockland County, Chief Operating Officer at Paulson & Company, a multi-billion dollar hedge fund, and President and CEO of Pegasus Funding Group. Mr. Pollack has served as a member of the Board of Directors of several profit and not-for-profit companies, including: Wayne Savings Bank, Salvation Army-Rockland County, Presilient, PPM Technologies, Inc., United Way-Rockland County, and Viansa Winery. Mr. Pollack has authored numerous articles on the state of banking which appeared in Bottomline Magazine and The Bankers Magazine. He holds an MBA Degree from Columbia University, a post-MBA Diploma in Bank Lending from New York University, and a BS Degree in Economics from Seton Hall University. Pursuant to the terms of the Agreement dated November 4, 2011 between the Company and

Lawrence B. Seidman and various affiliates of Mr. Seidman (the “Seidman Group”), the Company agreed to appoint one qualified individual selected by the Seidman Group to the Board of Directors for a term to expire in 2014. Mr. Pollack was the individual selected by the Seidman Group. The Agreement was amended by the Company and the Seidman Group on December 3, 2012 and December 17, 2013 in order to extend the term of the Agreement until November 4, 2014 or for as long as Dennis Pollack, the individual selected by the Seidman Group, remains a director of the Company, whichever is later. Mr. Pollack’s substantial experience as President, CEO and director of community banking organizations, in-depth knowledge of community bank lending, and

additional experience involving the oversight of private and non-profit organizations provides the Company with valuable and relevant expertise as a director.

Albert M. Tantala, Sr., is Chairman of the Board of the Bank and serves on various Bank committees. Mr. Tantala is the founding principal and President of a national consulting-engineering firm. He is also a trustee of Holy Family University. Mr. Tantala served for more than eleven years on the Pennsylvania State Registration Board for Professional Engineers, Land Surveyors and Geologists, including two years as Board President. He retired as a U.S. Army officer in 1989 with 28 years of service. Mr. Tantala is past President of the Philadelphia Section of the American Society of Civil Engineers, the Bridesburg Civic Association and the Frankford Optimist Club. Mr. Tantala's director qualifications include the aforementioned business experience, expertise in financial services, real estate and real estate lending having been a director of the Company, business relationships and in-depth knowledge of the markets in which the Company is located, and his civic and community involvement.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR"  
THE ELECTION OF THE ABOVE NOMINEES**

Continuing Directors

Carl F. Gregory is Chairman Emeritus of the Bank Board and a director of the Company. He retired as Chief Executive Officer of the Bank in January 1995. Mr. Gregory retired as President of the Bank in 1993, a position he had held since July 1982. Mr. Gregory has been a Trustee of Holy Family University since 1980, having served three terms as Vice Chairman, and is President Emeritus of the Aria Health Foundation. Mr. Gregory has served on numerous boards including the Frankford Day Nursery, the Frankford Business Association, the Frankford Rotary, the Northeast Branch of the Settlement Music School, the Northeast Philadelphia Chamber of Commerce, the Northeast Family YMCA, the Newtown Chamber Orchestra and two non-consecutive terms on the Advisory Council of the Federal Reserve Bank. Mr. Gregory's director qualifications include expertise in financial services, real estate and real estate lending, having been a prior employee, executive manager and director of the Company, business relationships, and civic and community involvement.

Kent C. Lufkin currently serves as President and Chief Executive Officer of the Company and the Bank and was appointed to such offices effective June 30, 2003, and appointed as a director of the Company in 2006. He joined the Bank in 2000 and formerly served as Senior Vice President and Retail Banking Officer. Mr. Lufkin's prior experience includes four years as President and Chief Executive Officer at Roebling Bank in Roebling, New Jersey, whose parent company was a public company. Mr. Lufkin was appointed to the Board of Aria Health in mid-2013 and serves as a Board member of the Credit Counseling Center of Bucks County; the Insured Financial Institutions of Delaware Valley; the South Jersey Bankers Association; the Newtown Business Commons Association; and the Greater Northeast Philadelphia Chamber of Commerce. Mr. Lufkin's director qualifications include experience in the management of retail banking organizations, commercial and real estate lending having been first an executive manager since 2000, then President and Chief Executive Officer and director of the Company and/or the Bank and his prior experience with retail banking organizations in New Jersey, his other public company experience, business relationships and in-depth knowledge of the markets in which the Company is located, and his civic and community involvement.

Joseph F. Slabinski, III, is President and owner of the Slabinski-Sucharski Funeral Homes, Inc., McCafferty-Sweeney Funeral Home, and the Baj Funeral Home, all located in Northeast Philadelphia. He is also an owner of the Frankford Limousine Service and RV Limousine Company, which provides transportation services for the funeral industry in the Philadelphia metropolitan area. Mr. Slabinski currently serves as President of the Bridesburg Business Association and the Bridesburg Community Development Corporation, and is on the board of the Delaware River City



Corporation which is currently working on extending a greenway through the area of Northeast Philadelphia. Mr. Slabinski is the immediate Past President of the Philadelphia Funeral Directors Association. Mr. Slabinski's director qualifications include his expertise in the city development of areas from Center City to Far Northeast Philadelphia areas.

Robert N. Dusek is Chairman of the Board of the Company. Mr. Dusek is the owner and President of Direction Associates, Inc., Spring House, Pennsylvania, a professional planning, urban design and real estate advisory organization founded in 1972. Direction Associates has provided consulting services to more than 250 corporate, institutional, municipal and individual clients seeking design, project financial structuring, land

acquisition assistance and real estate development advice. The organization has been involved in planning hundreds of multi-family residential, industrial, commercial, redevelopment and institutional projects throughout Pennsylvania. Mr. Dusek's director qualifications include the aforementioned business experience, expertise in financial services, real estate and real estate lending having been a director of the Company, business relationships and in-depth knowledge of the markets in which the Company is located, and his civic and community involvement.

Kenneth A. Swanstrom has been a member of the Bank Board of Directors since 2003 and serves on the Compensation and Budget Committees. Mr. Swanstrom retired from PennEngineering, Danboro, Pennsylvania, a NYSE listed and Russell 2000 company, in 2005. He spent his entire working career at PennEngineering, moving through the ranks of various positions including manufacturing and sales, and was elected a Director in 1970, President in 1979, and Chairman/CEO in 1993. PennEngineering is a diversified manufacturing and distribution company and, during Mr. Swanstrom's tenure, the company expanded to ten manufacturing and distribution facilities, including Europe and Asia, with over 1,200 employees. The company sold its products to many of the Fortune 500 companies. Mr. Swanstrom's director qualifications include his prior business experience with a stock exchange listed company, shareholder relations, developing new markets, and employee relations.

James B. Wood is Vice Chairman of the Bank Board and serves on several Bank Board committees. Mr. Wood is Senior Vice President and Chief Strategy Officer for The Clemens Family Corporation, a privately-held food, agribusiness and real estate development company based in Hatfield, Pennsylvania, where he has served as an executive for over 13 years. Prior to joining The Clemens Family Corporation, Mr. Wood was with Ernst & Young's management consulting practice, focusing on middle-market growth companies. Previous to that, he was with Inc. magazine, where he launched and managed Inc.'s Growth Strategy Consulting Group. Mr. Wood's director qualifications include his deep expertise in strategy development, change management, and business development.

#### Executive Officers

Dennis R. Stewart is Executive Vice President and Chief Financial Officer of the Bank and the Company. Before becoming Executive Vice President during 2003, he served as Senior Vice President and Chief Financial Officer since May 1999. Prior to that, Mr. Stewart served as Executive Vice President and Chief Financial Officer of First Coastal Bank in Virginia Beach, Virginia, where he was employed since 1990. Mr. Stewart earned a Master's Degree in Business Administration in Accounting from Michigan State University and is a Certified Public Accountant.

Elizabeth A. Kaspern is Executive Vice President and Chief Retail Banking Officer of the Bank. Before becoming Executive Vice President in January 2013, she served as Senior Vice President and Chief Retail Banking Officer since 2006. Prior to that, Ms. Kaspern served as Regional President for Fleet Bank of Pennsylvania and Retail Market Manager in the Pennsylvania and New Jersey Regions, where she was employed by them and their predecessors for 28 years.

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

The Company is governed by a Board of Directors and various committees of the Board which meet regularly throughout the year. During the year ended December 31, 2013, the Board of Directors of the Company held seven Board meetings. During the year ended December 31, 2013, the Board of Directors of the Bank held twelve Board meetings. No director attended fewer than 75% of the total meetings of the Board of Directors of the Company and Committees on which such director served during the year ended December 31, 2013.

The Company is the parent company of the Bank and does not pay any cash compensation to the executive officers of the Company. The Company's Compensation Committee administers the Incentive Compensation Plan. The

Compensation Committee of the Bank determines compensation and benefits for the executive officers, who have no role in the determination of the amount or form of executive compensation. The Compensation Committee of the Bank is also responsible for matters regarding compensation and benefits, hiring, termination and affirmative action issues for other officers and employees of the Bank. The Compensation Committee of the Company is comprised of Messrs. Dusek (Chair), Tantala and Swanstrom and met three times in 2013. The Compensation Committee has adopted a written charter, a copy of which is available at [www.3rdFedBank.com](http://www.3rdFedBank.com). The Audit

Committee of the Company is comprised of Directors Tantala (Chair), Gregory and Wood. All members of the Audit Committee have been determined by the Board of Directors to be independent under the rules of the Nasdaq Stock Market. The Board of Directors has determined that Director Gregory is an Audit Committee Financial Expert within the meaning of the regulations of the Securities and Exchange Commission.

The Audit Committee annually selects the independent auditors and meets with the accountants to discuss the annual audit. The Audit Committee is further responsible for overseeing internal control for financial reporting. The Audit Committee met four times during the year ended December 31, 2013. The Board of Directors has reviewed, assessed the adequacy of and approved a formal, written charter for the Audit Committee, which is available at [www.3rdFedBank.com](http://www.3rdFedBank.com).

#### Director Nomination Process

The Nominating Committee of the Company is comprised of Messrs. Dusek (Chair), Swanstrom, and Wood, all of whom are independent under the rules of the Nasdaq Stock Market. The Nominating Committee met one time during the year ended December 31, 2013. The Nominating Committee has adopted a written charter, a copy of which is available at [www.3rdFedBank.com](http://www.3rdFedBank.com). The responsibilities of the Nominating Committee include, among other things, identifying, interviewing, evaluating, and recruiting individuals to be recommended to the Board for selection as the Board's nominees, defining specific criteria for Board membership and evaluating all directors and potential nominees based on such criteria to assure that specific talents, skills and other characteristics and qualifications as needed to ensure the Board's effectiveness are possessed by an appropriate combination of directors and annually presenting to the Board a list of individuals recommended for selection by the Board as the Board's nominees for election at the annual meeting of stockholders.

The Company does not pay fees to any third party to identify or evaluate or assist in identifying or evaluating potential nominees. The process for identifying and evaluating potential Board nominees includes soliciting recommendations from directors and officers of the Company and the Bank. Additionally, the Board will consider persons recommended by stockholders of the Company in selecting the Board's nominees for election. There is no difference in the manner in which persons recommended by directors or officers versus persons recommended by stockholders in selecting Board nominees are evaluated.

To be considered in the selection of Board nominees, recommendations from stockholders must be received by the Company in writing not less than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders of the Company. Recommendations should identify the submitting stockholder, the person recommended for consideration and the reasons the submitting stockholder believes such person should be considered. Persons recommended for consideration as Board nominees should meet the director qualification requirements set forth in Article III, Sections 15 to 18 of the Company's bylaws, which require that (i) directors must be stockholders of the Company, owning at least 5,000 shares; (ii) directors of the Company must reside within ninety miles of the Company's main office in Newtown, Pennsylvania; (iii) directors may not serve as a management official of another depository institution or depository holding company as those terms are defined in 12 U.S.C. Section 3201; and (iv) directors must be persons of good character and integrity and must also have been nominated by persons of good character and integrity. The Board also believes potential directors should be knowledgeable about the business activities and market areas in which the Company and its subsidiaries engage. The Company does not have a specific policy as to diversity.

#### Stockholder Communications

The Board of Directors does not have a formal process for stockholders to send communications to the Board. In view of the infrequency of stockholder communications to the Board of Directors, the Board does not believe that a formal process is necessary. Written communications received by the Company from stockholders are shared with the full Board no later than the next regularly scheduled Board meeting. The Board encourages, but does not require, directors to attend the annual meeting of stockholders. All of the Board's members attended the 2013 annual meeting of stockholders.

### Board Leadership Structure

Director Kent C. Lufkin serves as President and Chief Executive Officer of the Company and Director Robert N. Dusek serves as Chairman of the Board. The Board of Directors has determined that the separation of the offices of Chairman of the Board and Chief Executive Officer and President will enhance Board independence and oversight. Moreover, the separation of the Chairman of the Board and Chief Executive Officer and President will allow the Chief Executive Officer and President to better focus on his growing responsibilities of running the Company, enhancing stockholder value and expanding and strengthening our franchise while allowing the Chairman of the Board to lead the Board in its fundamental role of providing advice to and independent oversight of management.

### Board's Role in the Risk Management Process

We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks the Company faces, while the Board, as a whole and through its committees and the committees of the Board of Directors of the Bank, has responsibility for the oversight of risk management. In its risk oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with the Chief Executive Officer and President to discuss strategy and risks facing the Company. Senior management attends the Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, special meetings of independent directors.

## EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth compensation awarded to the Principal Executive Officer, the Principal Financial Officer, and the other executive officers of the Company or the Bank for the year ended December 31, 2013. All compensation is paid by the Bank, with the exception of \$4,000 in director's fees paid to Mr. Lufkin by Penns Trail Development Corporation, a wholly-owned subsidiary of the Company.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Option Awards (1) (\$)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total (\$)
				(2) (\$)	(3) (\$)	
Kent C. Lufkin President and Chief Executive Officer	2013	303,783	171,550	102,545	30,474	608,352
	2012	283,206	-	101,863	31,464	416,533
Dennis R. Stewart Executive Vice President and Chief Financial Officer	2013	228,476	42,390	50,131	24,241	345,238
	2012	219,363	-	57,828	27,745	304,936
Elizabeth A. Kaspern Executive Vice President and Chief Retail Banking Officer	2013	155,000	42,390	50,229	15,276	262,895
	2012	141,651	-	42,475	17,793	201,919

(1) Represents the aggregate fair value of awards on the date they were granted in accordance with ASC Topic 718. See Note 1 of the Notes to the Consolidated Financial Statements included in our Annual Report to Stockholders for the assumptions used in calculating the grant date fair value.

(2) Non-Equity Incentive Plans. At the beginning of each plan year, the Compensation Committee establishes targets for consolidated net income, originated loan volume, and growth in total deposits. Each participant in the Company's Incentive Compensation Plan is assigned a combination of these three factors, aggregating to 100%. The extent to which these individual targets are accomplished determines the percentage of payout earned by each participant. The payout, in turn, is a percentage of base salary, and the percentage will vary based on the title and duties of the participant. No awards will be made unless the Company's net income equals 90% of the target established for the year, even though other target components may exceed the related goal. Thus, the minimum award cannot be quantified. There is no maximum award. The awards are not vested until paid in the year following the plan year, except in the case of a "change of control" in which case the payment is 100% earned and payable on the change of control effective date.

(3) For All Other Compensation details please refer to the table below. The value of ESOP share allocations is based upon a \$28.16 per share closing price of the Common Stock on December 31, 2013.

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Name	Use of Company Car/Car Allowance	Cost of Group Term Life Insurance	Cost of Health Insurance	401k Plan Matching Contribution	Company Subsidiary Director Fee	Cost of ESOP Share Allocation	Dividend Equivalents	Total Other Compensation
Kent C. Lufkin	\$ 3,768	\$ 510	\$ 6,261	\$ 750	\$ 4,000	\$ 9,437	\$ 5,748	\$ 30,474
Dennis R. Stewart	3,462	510	9,044	750	-	9,687	788	24,241
Elizabeth A. Kaspen	2,749	510	5,569	750	-	5,698	-	15,276

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Stock Option and Stock Awards Outstanding. The following table sets forth information concerning stock option awards held at December 31, 2013. There were no stock awards outstanding at December 31, 2013.

## Outstanding Equity Awards at Fiscal Year End

Name	Number of Securities Underlying Unexercised Options (#)		Option Awards	Option Expiration Date
	Exercisable	Unexercisable	Exercise Price (\$)	
Kent C. Lufkin	7,875	-	\$26.90	7/27/2015
	18,917	-	\$19.67	10/22/2015
	-	50,000 (1)	\$24.21	1/23/2017
	-	5,000 (2)	\$27.00	7/30/2017
Dennis R. Stewart	5,250	-	\$19.67	10/22/2015
	-	13,500 (1)	\$24.21	1/23/2017
Elizabeth A. Kaspern	3,780	-	\$19.67	10/22/2015
	-	13,500 (1)	\$24.21	1/23/2017

(1) The award vests over 2 years starting 1/23/2014.

(2) The award vests over 2 years starting 7/30/2014.

**Pension Plan.** The 3rd Fed Bank Retirement Plan (the “Pension Plan”) provides for monthly payments to each participating employee at normal retirement age (age 65). For accruals before January 1, 1998, the annual benefit payable as a life annuity under the Pension Plan is equal to 45% of Final Average Compensation plus 19.5% of Final Average Compensation in excess of the Covered Compensation in effect for the year of benefit determination, reduced for each year of service less than 30. Where the percentage results in an amount that exceeds the allowable limits under the Internal Revenue Code of 1986, as amended (the “Code”), such amount shall be reduced to the maximum allowable amount. For purposes of benefit calculations, Final Average Compensation is defined as the average of total compensation for the five highest years. For accruals after December 31, 1997, the annual benefit payable as a life annuity under the Pension Plan is equal to 45% of Average Compensation reduced for each year of service less than 30. Average Compensation is defined as the average of total compensation for all years beginning after December 31, 1997. A participant may elect an early retirement at age 55 with 5 years of service at a reduced monthly benefit.

**3rd Fed Bank 401(k) Plan.** The 401(k) Plan generally covers employees who have completed a year of service consisting of 1,000 hours. Employee deferral contributions under the plan may be supplemented by discretionary employer matching contributions, discretionary employer nonelective contributions, and qualified nonelective contributions. Each participant is at all times 100% vested in his or her rollover contributions in addition to each of those types of contributions listed above and the earnings thereon. Participants may elect to withdraw all or a portion of their account upon reaching age 59½ while still employed by 3rd Fed Bank, and may elect to withdraw his or her vested account balance upon reaching the plan’s normal retirement age, 65, or may delay withdrawal until retirement, subject to the minimum required distribution rules. The 401(k) Plan may be amended or terminated at any time, with approval of the Bank’s Board of Directors, in accordance with its terms.



3rd Fed Bank ESOP. 3rd Fed Bank maintains the ESOP for the exclusive benefit of participating employees, i.e. any eligible employee who has completed one year of service consisting of 1,000 hours of service during a plan year. The ESOP is funded by contributions made by the Bank in cash or Common Stock. Benefits may be paid either in shares of Common Stock or in cash or both. The ESOP has previously borrowed funds from the Company to finance the acquisition of shares of Common Stock. Shares purchased with loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants on the basis of total compensation. All participants must be employed at least 1,000 hours in a plan year, or have terminated employment following death, disability or retirement, in order to receive an allocation. Participant benefits become fully vested in plan allocations following five years of service.

#### Potential Payments Upon Termination Due to a Change in Control

Change in Control Severance Agreements. The Bank has entered into a change in control severance agreement with Kent C. Lufkin, President and Chief Executive Officer, Dennis R. Stewart, Executive Vice President and Chief Financial Officer and Elizabeth A. Kasporn, Executive Vice President and Chief Retail Banking Officer. The severance agreement for Mr. Lufkin has a term of thirty-six months expiring on December 31, 2016. The severance agreements for Mr. Stewart and Ms. Kasporn each have a term of twenty-four months expiring on December 31, 2015. The agreements are terminable by the Company and the Bank for just cause as defined in the agreements. If the Company or the Bank terminates the employee without just cause in connection with, or within twenty-four months following a change in control as defined in such agreements, the employee will be entitled to a severance payment. With respect to Mr. Lufkin's agreement, such agreement contains a provision stating that in the event of the termination of employment in connection with any change in control of the Bank, Mr. Lufkin will be paid an amount equal to 2.99 times his most recent three calendar years' average annual total compensation. The agreements with Mr. Stewart and Ms. Kasporn provide for payments equal to 2.00 times the prior three calendar years' average annual total compensation upon termination of employment following a change in control. It is anticipated that all such payments made by the Bank under such agreements would be a tax-deductible compensation expense for federal tax purposes. The aggregate payments that would be made to such individuals net of the federal tax benefit would be an expense to the Bank, thereby reducing net income and the Bank's capital by such amount. The agreements may be renewed annually by the Board of Directors within the Board's sole discretion. If Messrs. Lufkin and Stewart and Ms. Kasporn were each terminated in connection with a change in control as of December 31, 2013, they would be entitled to severance payments of approximately \$1,065,000, \$515,000 and \$345,000, respectively under the change in control severance agreements. Each agreement also provides for reimbursements to the employee for the costs associated with maintaining coverage under the Bank's medical and dental insurance plans for a period of one year in the event of termination in connection with or within twenty-four months following a change in control.

#### DIRECTOR COMPENSATION

Each director of the Company was also a director of the Bank throughout 2013, with the exception of Carl F. Gregory and Dennis Pollack, who served as directors of the Company only. For 2013, non-employee directors of the Company received a quarterly retainer of \$3,000 (\$16,400 for the Chairman of the Company's Board) paid in Common Stock. During 2013, each non-employee director of the Bank received a fee of \$1,000 per board meeting attended (\$3,500 for the Chairman of the Bank's Board, and \$2,000 for the Vice Chairman of the Bank's Board) and, depending on the committee, either \$500 per committee meeting attended (\$600 for the Chairman of the Committee) or \$1,000 per quarter regardless of the number of meetings (\$1,000 per month regardless of the number of meetings in the instance of Director Pollack). The director fees shown in the table below include fees paid for service on the Company's Board and any fees paid for service on the boards of the subsidiaries of the Company.

The Company has entered into a change in control severance agreement with Robert N. Dusek, Chairman of the Board. Mr. Dusek's agreement stipulates a payment of \$250,000 in the event of termination of service without just cause upon, or within eighteen months following a change in control.

Set forth below is a table providing information concerning the compensation of the directors of the Company who are not named executive officers for the fiscal year ended December 31, 2013:

## Director Compensation Table

Name	Fees Earned or Paid in Cash	Stock Awards (1)	Option Awards (2)	All Other Compensation		Total
Robert N. Dusek	\$21,800	\$65,547	\$47,100	\$22,882	(4 )	\$157,329
Carl. F. Gregory	-	11,943	31,400	3,292	(3 )(4)	46,635
H. Donald Perkins, Jr.	14,000	7,966	31,400	4,128	(4 )	57,494
Dennis Pollack	9,000	11,943	31,400	-		52,343
Joseph F. Slabinski, III	16,000	11,943	31,400	8,647	(4 )	67,990
Kenneth A. Swanstrom	16,000	11,943	31,400	7,145	(4 )	66,488
Albert M. Tantala, Sr.	54,400	11,943	47,100	17,850	(4 )	131,293
James B. Wood	32,100	11,943	31,400	14,111	(4 )(5)	89,554

(1) Company director fees totaling \$154,171 were paid in Common Stock in lieu of cash for the four quarters of 2013.

(2) Unexercised option awards outstanding at December 31, 2013 were as follows (in shares): Dusek - 15,000; Gregory - 10,000; Perkins - 10,000; Pollack - 10,000; Slabinski - 10,000; Swanstrom - 10,000; Tantala - 15,000; and Wood - 14,322.

(3) Excludes payment of \$12,684 pursuant to a Supplemental Retirement Benefit Agreement provided upon Mr. Gregory's retirement from the Bank in 1994. These payments will continue at \$1,057 per month until the later of the death of Mr. Gregory or his spouse.

(4) Payout of the 2012 Incentive Compensation Plan.

(5) Includes \$1,297.00 of dividend equivalents paid on all stock option awards issued under the 1997 stock option plan.

## ADDITIONAL INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS

## Section 16(a) Beneficial Ownership Reporting Compliance

The Common Stock of the Company is registered pursuant to Section 12(b) of the Exchange Act. The officers and directors of the Company and beneficial owners of greater than 10% of the Company's Common Stock (10% beneficial owners) are required to file reports of ownership and changes in beneficial ownership of the Common Stock with the SEC and Nasdaq and to provide copies of those reports to the Company. Based on the Company's review of such ownership reports furnished to the Company or written representations from certain reporting persons, it was determined that no officer or director failed to file such ownership reports on a timely basis during the fiscal year ended December 31, 2013.

## Certain Relationships and Related Transactions and Director Independence

There were no directors, executive officers or immediate family members of such individuals who were engaged in transactions with the Bank or any subsidiary involving more than \$120,000 during the years ended December 31, 2013 and 2012, with the exception of certain lending and deposit relationships. In the normal course of its business as a financial institution, the Bank has granted loans to its officers, directors and their affiliates. All such loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Bank and did not involve more than

the normal risk of collectability or present other unfavorable features.

All members of the Board of Directors other than Mr. Lufkin, our current President and Chief Executive Officer, are independent under the rules of the Nasdaq Stock Market.

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## Report of the Audit Committee

For the fiscal year ended December 31, 2013, the Audit Committee (i) reviewed and discussed the Company's audited financial statements with management, (ii) discussed with the Company's independent auditor, S.R. Snodgrass, P.C., the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, and (iii) received from S.R. Snodgrass, P.C. the written disclosures and the letter as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and discussed with S.R. Snodgrass, P.C. its independence. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.

### Audit Committee:

Albert M. Tantala, Sr. (Chair), Carl F. Gregory and James B. Wood.

### Principal Accounting Firm Fees

**Audit Fees.** The aggregate fees of the Company's principal accountant for professional services rendered for the audit of the Company's annual consolidated financial statements and for the review of the consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q for the fiscal years ended December 31, 2013 and 2012 were \$143,747 and \$107,990, respectively.

**Audit Related Fees.** The aggregate fees of the Company's principal accountant for professional services rendered for audit related services or products other than those listed under the captions "Audit Fees" and "Tax Fees" for the years ended December 31, 2013 and 2012 were \$56,040 and \$49,192, respectively, and consisted of audits of benefit plans and services related to acquisitions.

**Tax Fees.** The aggregate fees of the Company's principal accountant for professional services rendered for tax compliance, tax advice or tax planning for the years ended December 31, 2013 and 2012 were \$20,926 and \$16,667, respectively.

**All Other Fees.** During the fiscal years ended December 31, 2013 and 2012, the Company's principal accountant did not provide any services or products other than those listed above.

It is the Audit Committee's policy to approve all audit and non-audit services prior to the engagement of the Company's independent auditor to perform any service. All of the services listed above for 2013 and 2012 were approved by the Audit Committee prior to the service being rendered.

#### PROPOSAL II - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

The Board of Directors of the Company has appointed S.R. Snodgrass, P.C. as the Company's independent auditor for the fiscal year ending December 31, 2014, and is submitting such appointment for ratification by the Company's stockholders. A representative of S.R. Snodgrass, P.C. is expected to be present at the Meeting, will have the opportunity to make a statement if he so desires, and is expected to be available to respond to appropriate questions.

Ratification of the appointment of the independent auditor requires the affirmative vote of a majority of the votes cast, in person or by proxy, by the stockholders of the Company at the Meeting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF S.R. SNODGRASS, P.C. AS THE COMPANY'S INDEPENDENT AUDITOR FOR THE 2014 FISCAL YEAR.

#### PROPOSAL III - APPROVAL OF A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and the related regulations of the Securities and Exchange Commission thereunder provide that smaller reporting companies, such as the Company, include a separate resolution subject to stockholder vote to approve the compensation of the Company's named executive officers, as disclosed in its proxy statement pursuant to Item 402 of Regulation S-K of the Securities and Exchange Commission. This vote must be held not less frequently than once every three years. At the Company's 2013 annual meeting of stockholders, the Company's stockholders voted to hold this vote to approve the compensation of the Company's executive officers each year.

This proposal, commonly known as a "say on pay" proposal, gives the Company's stockholders the opportunity to endorse or not endorse the Company's executive pay program and policies, as disclosed in this Proxy Statement, through the following resolution:

"Resolved, that the compensation paid to the Company's Named Executive Officers as disclosed pursuant to Item 402 of Regulation S-K, including the compensation tables and narrative disclosures in this Proxy Statement is hereby approved."

As provided in the Dodd-Frank Act, this vote will not be binding on the Board of Directors and may not be construed as overruling a decision by the Board, creating or implying any change to the fiduciary duties of the Board or any additional fiduciary duty by the Board or restricting or limiting the ability of shareholders to make proposals for inclusion in proxy materials related to executive compensation. The Compensation Committee, however, may take into account the outcome of the vote when considering future executive compensation arrangements.

In voting on the above resolution, shareholders may vote for the resolution, against the resolution or abstain from voting. This matter will be decided by the affirmative vote of a majority of the votes cast at the Meeting. On this matter, abstentions will have no effect on the voting.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" APPROVAL OF THE RESOLUTION SET FORTH ABOVE REGARDING COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.





#### OTHER MATTERS

The Board of Directors is not aware of any business to come before the Meeting other than those matters described above. However, if any other matters should properly come before the Meeting, it is intended that proxies will be voted in respect thereof in accordance with the judgment of the person or persons voting such proxies.

#### MISCELLANEOUS

The cost of soliciting proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of Common Stock. Actual costs, however, may exceed estimated amounts. In addition to solicitations by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone without additional compensation.

Upon receipt of a written request, the Company will furnish to any stockholder without charge a copy of the Company's Annual Report on Form 10-K (excluding exhibits) for the fiscal year ended December 31, 2013. Such written requests should be directed to the Corporate Secretary, TF Financial Corporation, 3 Penns Trail, Newtown, Pennsylvania 18940.

#### STOCKHOLDER PROPOSALS

In order to be considered for inclusion in the Company's proxy materials for the 2015 annual meeting of stockholders, a stockholder proposal must be received at the Company's executive office at 3 Penns Trail, Newtown, Pennsylvania 18940 no later than November 25, 2014. In addition, a stockholder proposal must meet other applicable criteria as set forth in the Company's bylaws and the rules of the Securities and Exchange Commission in order to be considered for inclusion in the Company's proxy materials.

Under the Company's Articles, a stockholder proposal that is not included in the Company's proxy statement for the 2015 annual meeting of stockholders, will only be considered at such meeting if the stockholder submits notice of the proposal to the Company at the above address by November 25, 2014. In addition, a stockholder proposal must meet other applicable criteria as set forth in the Company's bylaws in order to be considered at the 2015 annual meeting of stockholders.

TF FINANCIAL CORPORATION  
3 PENNS TRAIL  
NEWTOWN, PENNSYLVANIA 18940

ANNUAL MEETING OF STOCKHOLDERS  
APRIL 23, 2014

The undersigned hereby appoints the Board of Directors of TF Financial Corporation (the Company), or its designee, with full powers of substitution, to act as attorneys and proxies for the undersigned, to vote all shares of common stock of the Company which the undersigned is entitled to vote at the Annual Meeting of Stockholders (the Meeting), to be held at Holy Family University, One Campus Drive, Room 138, Newtown, Pennsylvania on April 23, 2014 at 9:30 a.m., Eastern time and at any and all adjournments thereof.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE NOMINEES.

- |  | FOR                   | WITHHELD              |
|--|-----------------------|-----------------------|
| 1. The election as director of the nominees listed below, for a three year term: | <input type="radio"/> | <input type="radio"/> |
| H. Donald Perkins, Jr.<br>Dennis Pollack<br>Albert M. Tantala, Sr.               |                       |                       |

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL II — RATIFICATION OF INDEPENDENT AUDITOR.

- |   | FOR                   | AGAINST               | ABSTAIN               |
|---|-----------------------|-----------------------|-----------------------|
| 2. The ratification of the appointment of S.R. Snodgrass, P.C. as the Company's independent auditor for the fiscal year ending December 31, 2014. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSAL III — A NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION.

- |   | FOR                   | AGAINST               | ABSTAIN               |
|---|-----------------------|-----------------------|-----------------------|
| 3. An advisory vote on the compensation of the Company's Named Executive Officers as disclosed in the 2014 Proxy Statement. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO DIRECTION IS MADE, THIS SIGNED PROXY WILL BE VOTED FOR THE NOMINEES, THE RATIFICATION OF INDEPENDENT AUDITOR, THE ADVISORY VOTE ON EXECUTIVE COMPENSATION. IF ANY OTHER BUSINESS IS PRESENTED AT THE MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN THEIR BEST JUDGMENT. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE MEETING.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned acknowledges receipt from the Company, prior to the execution of this proxy, of Notice of the Meeting and a Proxy Statement dated March 25, 2014 and the Company's 2013 Annual Report to Stockholders.

Dated: \_\_\_\_\_, 2014

Please check here if you  
plan to attend the  
Meeting.   

SIGNATURE OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER

PRINT NAME OF STOCKHOLDER

PRINT NAME OF STOCKHOLDER

Please sign exactly as your name appears on this form of proxy. When signing as attorney, executor, administrator, trustee, or guardian, please give your full title. If shares are held jointly, each holder should sign.

PLEASE COMPLETE, SIGN, DATE, AND MAIL THIS PROXY PROMPTLY IN THE  
ENCLOSED POSTAGE-PAID ENVELOPE.

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