

TF FINANCIAL CORP  
Form SC 13D/A  
December 09, 2013

CUSIP No. 872391107 SCHEDULE 13D Page 1 of 26

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

SCHEDULE 13D

Under the Securities Exchange Act of 1934  
(Amendment No. 3)

**TF FINANCIAL CORPORATION**

(Name of Issuer)

Common Stock, par value \$0.10 per share

(Title of Class of Securities)

872391107

(CUSIP Number)

Mr. Joseph Stilwell

111 Broadway, 12th Floor

New York, New York 10006

Telephone: (212) 269-1551

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

December 6, 2013

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. "

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Value Partners I, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)
  - (a)  x
  - (b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
6. Delaware
- Number of  
Shares Beneficially  
Owned by Each  
Reporting  
Person With
7. Sole Voting Power: 0
8. Shared Voting Power: 167,447
9. Sole Dispositive Power: 0
10. Shared Dispositive Power: 167,447
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Activist Fund, L.P.
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  x  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) WC, OO
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
6. Delaware  
Number of  
Shares Beneficially Owned by Each Reporting Person With  
7. Sole Voting Power: 0  
8. Shared Voting Power: 167,447  
9. Sole Dispositive Power: 0  
10. Shared Dispositive Power: 167,447
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Activist Investments, L.P.
  2. Check the Appropriate Box if a Member of a Group (See Instructions)
    - (a)  x
    - (b)
  3. SEC Use Only
  4. Source of Funds (See Instructions) WC, OO
  5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
  6. Delaware
- |              |                                       |
|--------------|---------------------------------------|
| Number of    | 7. Sole Voting Power: 0               |
| Shares       | 8. Shared Voting Power: 167,447       |
| Beneficially | 9. Sole Dispositive Power: 0          |
| Owned by     | 10. Shared Dispositive Power: 167,447 |
| Each         |                                       |
| Reporting    |                                       |
| Person With  |                                       |
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
  12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
  13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
  14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Associates, L.P.
  2. Check the Appropriate Box if a Member of a Group (See Instructions)
    - (a)  x
    - (b)
  3. SEC Use Only
  4. Source of Funds (See Instructions) WC, OO
  5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
  6. Delaware
- |              |                                       |
|--------------|---------------------------------------|
| Number of    | 7. Sole Voting Power: 0               |
| Shares       | 8. Shared Voting Power: 167,447       |
| Beneficially | 9. Sole Dispositive Power: 0          |
| Owned by     | 10. Shared Dispositive Power: 167,447 |
| Each         |                                       |
| Reporting    |                                       |
| Person With  |                                       |
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
  12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
  13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
  14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Associates Insurance Fund of The SALI Multi-Series Fund L.P.
  2. Check the Appropriate Box if a Member of a Group (See Instructions)
    - (a)
    - (b)
  3. SEC Use Only
  4. Source of Funds (See Instructions) WC, OO
  5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
  6. Delaware
- |              |                                 |
|--------------|---------------------------------|
| Number of    | 7. Sole Voting Power: 0         |
| Shares       | 8. Shared Voting Power: 0       |
| Beneficially | 9. Sole Dispositive Power: 0    |
| Owned by     | 10. Shared Dispositive Power: 0 |
| Each         |                                 |
| Reporting    |                                 |
| Person With  |                                 |
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 0
  12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
  13. Percent of Class Represented by Amount in Row (11): 0%  
Type of Reporting Person (See Instructions)
  14. PN

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Value LLC
  2. Check the Appropriate Box if a Member of a Group (See Instructions)
    - (a)  x
    - (b)
  3. SEC Use Only
  4. Source of Funds (See Instructions) n/a
  5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
  6. Delaware
- |              |                                       |
|--------------|---------------------------------------|
| Number of    | 7. Sole Voting Power: 0               |
| Shares       | 8. Shared Voting Power: 167,447       |
| Beneficially | 9. Sole Dispositive Power: 0          |
| Owned by     | 10. Shared Dispositive Power: 167,447 |
| Each         |                                       |
| Reporting    |                                       |
| Person With  |                                       |
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
  12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
  13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
  14. OO



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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Stilwell Advisers LLC
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  x  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) n/a
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
6. Delaware  
Number of  
Shares Beneficially Owned by Each Reporting Person With  
7. Sole Voting Power: 0  
8. Shared Voting Power: 0  
9. Sole Dispositive Power: 0  
10. Shared Dispositive Power: 0
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 0
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
13. Percent of Class Represented by Amount in Row (11): 0%  
Type of Reporting Person (See Instructions)
14. OO

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1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).  
Joseph Stilwell
2. Check the Appropriate Box if a Member of a Group (See Instructions)  
(a)  x  
(b)
3. SEC Use Only
4. Source of Funds (See Instructions) n/a
5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ""  
Citizenship or Place of Organization:
6. United States  
Number of  
Shares Beneficially Owned by Each Reporting Person With  
7. Sole Voting Power: 0  
8. Shared Voting Power: 167,447  
9. Sole Dispositive Power: 0  
10. Shared Dispositive Power: 167,447
11. Aggregate Amount Beneficially Owned by Each Reporting Person: 167,447
12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ""
13. Percent of Class Represented by Amount in Row (11): 5.3%  
Type of Reporting Person (See Instructions)
14. IN

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## Item 1. Security and Issuer

This is the third amendment (this "Third Amendment") to the original Schedule 13D, which was filed on November 29, 2012 (the "Original Schedule 13D"), amended on May 10, 2013 (the "First Amendment"), and on October 1, 2013 (the "Second Amendment"). This Third Amendment is being filed jointly by Stilwell Value Partners I, L.P., a Delaware limited partnership ("Stilwell Value Partners I"); Stilwell Activist Fund, L.P., a Delaware limited partnership ("Stilwell Activist Fund"); Stilwell Activist Investments, L.P., a Delaware limited partnership ("Stilwell Activist Investments"); Stilwell Associates, L.P., a Delaware limited partnership ("Stilwell Associates"); Stilwell Associates Insurance Fund of The SALI Multi-Series Fund L.P., a Delaware limited partnership ("Stilwell SALI Fund"); Stilwell Value LLC, a Delaware limited liability company ("Stilwell Value LLC"), and the general partner of Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Associates; Stilwell Advisers LLC, a Delaware limited liability company ("Stilwell Advisers"); and Joseph Stilwell, the managing member of and owner of more than 99% of the equity in Stilwell Value LLC and the managing and sole member of Stilwell Advisers. All the filers of this statement are collectively referred to herein as the "Group."

This statement relates to the common stock, par value \$0.10 per share ("Common Stock"), of TF Financial Corporation (the "Issuer"). The address of the principal executive offices of the Issuer is 3 Penns Trail, Newtown, Pennsylvania 18940. The amended joint filing agreement of the members of the Group is attached as Exhibit 3 to the Second Amendment.

## Item 2. Identity and Background

(a)-(c) This statement is filed by Joseph Stilwell with respect to the shares of Common Stock beneficially owned by Joseph Stilwell, including shares of Common Stock held in the names of Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Associates, in Joseph Stilwell's capacities as the managing member and 99% owner of Stilwell Value LLC, which is the general partner of Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Associates.

The business address of Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Associates, Stilwell SALI Fund, Stilwell Value LLC, Stilwell Advisers and Joseph Stilwell is 111 Broadway, 12th Floor, New York, New York 10006.

The principal employment of Joseph Stilwell is investment management. Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Associates and Stilwell SALI Fund are private investment partnerships engaged in the purchase and sale of securities for their own accounts. Stilwell Value LLC is in the business of serving as the general partner of Stilwell Value Partners I, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Associates, and related partnerships. Stilwell Advisers is in the business of serving as the investment subadviser to Stilwell SALI Fund.

(d) During the past five years, no member of the Group has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the past five years, no member of the Group has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws.

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(f) Joseph Stilwell is a citizen of the United States.

### Item 3. Source and Amount of Funds or Other Consideration

Since the filing of the Second Amendment, Stilwell Activist Fund has expended a total of \$27 to acquire 1 share of Common Stock. Such funds were provided from Stilwell Activist Fund's working capital and may, from time to time, be provided in part by margin account loans from subsidiaries of Fidelity Brokerage Services LLC extended in the ordinary course of business.

Since the filing of the Second Amendment, Stilwell Activist Investments has expended a total of \$513,716 to acquire 18,675 shares of Common Stock. Such funds were provided from Stilwell Activist Investments' working capital and may, from time to time, be provided in part by margin account loans from subsidiaries of Morgan Stanley extended in the ordinary course of business.

All purchases of shares of Common Stock made by the Group using funds borrowed from Fidelity Brokerage Services LLC or Morgan Stanley, if any, were made in margin transactions on their usual terms and conditions. All or part of the shares of Common Stock owned by members of the Group may from time to time be pledged with one or more banking institutions or brokerage firms as collateral for loans made by such entities to members of the Group. Such loans generally bear interest at a rate based on the broker's call rate from time to time in effect. Such indebtedness, if any, may be refinanced with other banks or broker-dealers.

### Item 4. Purpose of Transaction

We are filing this Third Amendment to report that Stilwell SALI Fund and Stilwell Advisers are no longer members of the Group.

Our purpose in acquiring shares of Common Stock of the Issuer is to profit from the appreciation in the market price of the shares of Common Stock through asserting shareholder rights. We do not believe the value of the Issuer's assets is adequately reflected in the current market price of the Issuer's Common Stock.

We hope to work with existing management and the board of directors to maximize shareholder value. We believe the Issuer is in a position to consistently repurchase shares of outstanding Common Stock with excess capital. We have encouraged management and the board to do so.

Since 2000, affiliates of the Group have filed Schedule 13Ds to report greater than five percent positions in 49 other publicly traded companies. For simplicity, these affiliates are referred to as the “Group”, “we”, “us”, or “our.” In each instance, our purpose has been to profit from the appreciation in the market price of the shares we held by asserting shareholder rights. In each situation, we believed that the values of the companies’ assets were not adequately reflected in the market prices of their shares. The filings are described below.

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On May 1, 2000, we filed a Schedule 13D to report a position in Security of Pennsylvania Financial Corp. ("SPN"). We scheduled a meeting with senior management to discuss ways to maximize the value of SPN's assets. On June 2, 2000, prior to the scheduled meeting, SPN and Northeast Pennsylvania Financial Corp. announced SPN's acquisition. We then sold our shares on the open market.

On July 7, 2000, we filed a Schedule 13D to report a position in Cameron Financial Corporation ("Cameron"). We exercised our shareholder rights by, among other things, requesting that Cameron management hire an investment banker, demanding Cameron's list of shareholders, meeting with Cameron's management, demanding that Cameron invite our representatives to join the board, writing to other Cameron shareholders to express our dismay with management's inability to maximize shareholder value and publishing that letter in the local press. On October 6, 2000, Cameron announced its sale to Dickinson Financial Corp., and we sold our shares on the open market.

On January 4, 2001, following the announcement by Community Financial Corp. ("CFIC") of the sale of two of its four subsidiary banks and its intention to sell one or more of its remaining subsidiaries, we filed a Schedule 13D to report our position. We reported that we acquired CFIC stock for investment purposes. On January 25, 2001, CFIC announced the sale of one of its remaining subsidiaries. We then announced our intention to run an alternate slate of directors at the 2001 annual meeting if CFIC did not sell the remaining subsidiary by then. On March 27, 2001, we wrote to CFIC confirming that CFIC had agreed to meet with one of our proposed nominees to the board. On March 30, 2001, before our meeting took place, CFIC announced its merger with First Financial Corporation, and we sold our shares on the open market.

On February 23, 2001, we filed a Schedule 13D to report a position in Montgomery Financial Corporation ("Montgomery"). On April 20, 2001, we met with Montgomery's management, and suggested that they maximize shareholder value by selling the institution. We also informed management that we would run an alternate slate of directors at the 2001 annual meeting unless Montgomery were sold. Eleven days after we filed our Schedule 13D, however, Montgomery's board amended its bylaws to make it more difficult for us to run an alternate slate by limiting the pool of potential nominees to local persons with a banking relation and shortening the deadline to nominate an alternate slate. We located qualified nominees under the restrictive bylaw provisions and noticed our slate within the deadline. On June 5, 2001, Montgomery announced that it had hired a banker to explore a sale. On July 24, 2001, Montgomery announced its merger with Union Community Bancorp.

On June 14, 2001, we filed a Schedule 13D reporting a position in HCB Bancshares, Inc. ("HCBB"). On September 4, 2001, we reported that we had entered into a standstill agreement with HCBB, under which HCBB agreed to: (a) add a director selected by us, (b) consider conducting a Dutch tender auction, (c) institute annual financial targets, and (d) retain an investment banker to explore alternatives if it did not achieve the financial targets. On October 22, 2001, our

nominee, John G. Rich, Esq., was named to the board. On January 31, 2002, HCBB announced a modified Dutch tender auction to repurchase 20% of its shares. Although HCBB's outstanding share count decreased by 33% between the filing of our original Schedule 13D and August 2003, HCBB did not achieve the financial target. On August 12, 2003, HCBB announced it had hired a banker to assist in exploring alternatives for maximizing shareholder value, including a sale. On January 14, 2004, HCBB announced its sale to Rock Bancshares Inc. and we sold our shares on the open market.



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On December 15, 2000, we filed a Schedule 13D reporting a position in Oregon Trail Financial Corp. ("OTFC"). In January 2001, we met with the management of OTFC to discuss our concerns that management was not maximizing shareholder value, and we proposed that OTFC voluntarily place our nominees on the board. OTFC rejected our proposal, and we announced our intention to solicit proxies to elect a board nominee. We demanded OTFC's shareholder list, but it refused. We sued OTFC in Baker County, Oregon, and the court ruled in our favor and sanctioned it. We also sued two OTFC directors alleging that one had violated OTFC's residency requirement and that the other had committed perjury. Both suits were dismissed pre-trial but we filed an appeal in one suit and were permitted to re-file the other suit in state court. On August 16, 2001, we started soliciting proxies to elect Kevin D. Padrick, Esq. to the board. We argued in our proxy materials that OTFC should have repurchased its shares at prices below book value. OTFC announced the hiring of an investment banker. Then, the day after the 9/11 attacks, OTFC sued us in Portland, Oregon and moved to invalidate our proxies; the court denied the motion and the election proceeded.

On October 12, 2001, OTFC's shareholders elected our candidate by a 2-1 margin. In the five months after the filing of our first proxy statement (i.e., from August 1, 2001 through December 31, 2001), OTFC repurchased approximately 15% of its shares. On March 12, 2002, we entered into a standstill agreement with OTFC. OTFC agreed to: (a) achieve annual targets for return on equity, (b) reduce their current capital ratio, (c) obtain advice from an investment banker regarding annual 10% stock repurchases, (d) re-elect our director to the board, (e) reimburse a portion of our expenses, and (f) withdraw their lawsuit. On February 24, 2003, OTFC and FirstBank NW Corp. announced their merger, and we sold substantially all of our shares on the open market.

On November 25, 2002, we filed a Schedule 13D reporting a position in American Physicians Capital, Inc. ("ACAP"). The Schedule 13D disclosed that on January 18, 2002, Michigan's insurance department had approved our request to solicit proxies to elect two directors to ACAP's board. On January 29, 2002, we noticed our intention to nominate two directors at the 2002 annual meeting. On February 20, 2002, we entered into a three-year standstill agreement with ACAP, providing for ACAP to add our nominee to its board. ACAP also agreed to consider using a portion of its excess capital to repurchase ACAP's shares in each of the fiscal years 2002 and 2003 so that its outstanding share count would decrease by 15% for each of those years. In its 2002 fiscal year, ACAP repurchased 15% of its outstanding shares; these repurchases were highly accretive to per-share book value. On November 6, 2003, ACAP announced a reserve charge and that it would explore options to maximize shareholder value. It also announced that it would exit the healthcare and workers' compensation insurance businesses. ACAP then announced that it had retained Sandler O'Neill & Partners, L.P., to assist the board. On December 2, 2003, ACAP announced the early retirement of its President and CEO. On December 23, 2003, ACAP named R. Kevin Clinton its new President and CEO. On June 24, 2004, ACAP announced that it had decided that the best means to maximize shareholder value would be to shed non-core businesses and focus on its core business line in its core markets. We increased our holdings in ACAP, and we announced that we intended to seek additional board representation. On November 10, 2004, ACAP invited Mr. Stilwell to sit on the board, and we entered into a new standstill agreement. This agreement was terminated in November 2007, with our nominees remaining on ACAP's board. On May 8, 2008, our nominees were re-elected to three-year terms expiring in 2011. On passage of federal healthcare legislation in 2010, ACAP became concerned

about the fundamentals of its business and promptly acted to assess its strategic alternatives. On October 22, 2010, ACAP was acquired by The Doctors Company.

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On June 30, 2003, we filed a Schedule 13D reporting a position in FPIC Insurance Group, Inc. ("FPIC"). On August 12, 2003, Florida's insurance department approved our request to hold more than 5% of FPIC's shares, to solicit proxies to hold board seats, and to exercise shareholder rights. On November 10, 2003, FPIC invited our nominee, John G. Rich, Esq., to join the board and we signed a confidentiality agreement. On June 7, 2004, we disclosed that because FPIC's management had taken steps to increase shareholder value and because its market price increased and reflected fair value in our estimation, we sold our shares on the open market, decreasing our holdings below five percent. Our nominee was invited to remain on the board after we sold our stake.

On March 29, 2004, we filed a Schedule 13D reporting a position in Community Bancshares, Inc. ("COMB"). We disclosed our intention to meet with COMB's management and evaluate management's progress in resolving its regulatory issues, lawsuits, problem loans, and non-performing assets, and that we would likely support management if it effectively addressed COMB's challenges. On November 21, 2005, we amended our Schedule 13D and stated that although we believed that COMB's management had made good progress, COMB's return on equity would likely remain below average for the foreseeable future, and it should therefore be sold. On November 21, 2005, we also stated that if COMB did not announce a sale before our deadline to solicit proxies for the next annual meeting, we would solicit proxies to elect our own slate. On January 6, 2006, we disclosed the names of our three board nominees. On May 1, 2006, COMB announced its sale to The Banc Corporation, and we sold our shares on the open market.

On June 20, 2005, we filed a Schedule 13D reporting a position in Prudential Bancorp, Inc. of Pennsylvania ("PBIP"). Most of PBIP's shares are held by the Prudential Mutual Holding Company (the "MHC"), which is controlled by PBIP's board. The MHC controls most corporate decisions coming up for a shareholder vote, such as the election of directors. But regulations promulgated by the FDIC previously barred the MHC from voting on PBIP's management stock benefit plans, and PBIP's IPO prospectus indicated that the MHC would not vote on the plans. We announced in August 2005 that we would solicit proxies to oppose adoption of the plans as a referendum to place Mr. Stilwell on the board. PBIP decided not to put the plans up for a vote at the 2006 annual meeting.

In December 2005, we solicited proxies to withhold votes on the election of directors as a referendum to place Mr. Stilwell on the board. At the 2006 annual meeting, 71% of PBIP's voting public shares were withheld from voting on management's nominees.

On April 6, 2006, PBIP announced that just after we had filed our Schedule 13D, it had secretly solicited a letter from an FDIC staffer (which it concealed from the public) that the MHC would be allowed to vote in favor of the plans. PBIP also announced a special meeting to vote on the plans. We alerted the Board of Governors of the Federal Reserve System (the "Fed") about this announcement, and PBIP was directed to seek Fed approval before adopting the plans. On April 19, 2006, PBIP postponed the special meeting. The Fed subsequently followed the FDIC's position in

September 2006. In December 2006, we solicited proxies to withhold votes on the election of PBIP's directors at the 2007 annual meeting. At the meeting, 75% of PBIP's voting public shares were withheld. Also during the annual meeting, PBIP's President and Chief Executive Officer, in response to a question posed by Mr. Stilwell, was unable to state the meaning of per share return on equity. On March 7, 2007, we disclosed that we were publicizing the results of PBIP's elections and its directors' unwillingness to hold a democratic vote on the stock plans by placing billboard advertisements throughout Philadelphia.

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In December 2007, we filed proxy materials for the solicitation of proxies to withhold votes on the election of PBIP's directors at the 2008 annual meeting of shareholders. At the February 4, 2008 annual meeting, an average of 77% of PBIP's voting public shares withheld their votes. Excluding shares held in PBIP's ESOP, an average of 88% of the voting public shares withheld their votes in this election.

On October 4, 2006, we sued PBIP, the MHC, and the directors of PBIP and the MHC in federal court in Philadelphia seeking an order to prevent the MHC from voting in favor of the plans. On August 15, 2007, the court dismissed some claims, but sustained our cause of action against the MHC as majority shareholder of PBIP for breach of fiduciary duties. Discovery proceeded and all the directors were deposed. Both sides moved for summary judgment, but the court ordered the case to trial which was scheduled for June 2008. On May 22, 2008, we voluntarily discontinued the lawsuit after determining that it would be more effective and appropriate to pursue the directors on a personal basis in a derivative action. On June 11, 2008, we filed a notice to appeal certain portions of the lower court's August 15, 2007 order dismissing portions of the lawsuit.

We entered into a settlement agreement and an expense agreement with PBIP in November 2008 under which we agreed to support PBIP's stock benefit plans, drop our litigation and withdraw our shareholder demand, and generally support management, and, in exchange, PBIP agreed, subject to certain conditions, to repurchase up to 3 million of its shares (including shares previously purchased), reimburse a portion of our expenses, and either adopt a second step conversion or add our nominee who meets certain qualification requirements to its board if the repurchases were not completed by a specified time.

On March 5, 2010, we reported that our ownership in PBIP had droppe