

WSFS FINANCIAL CORP
Form DEF 14A
March 24, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

SCHEDULE 14A

(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES

EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant X

Filed by a Party other than the Registrant O

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

WSFS 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):

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

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WSFS Bank Center

500 Delaware Avenue

Wilmington, Delaware 19801

302-792-6000

www.wsfsbank.com

March 25, 2009

Dear Stockholder:

The WSFS Financial Corporation 2009 Annual Meeting of Stockholders will be held on April 23, 2009 beginning at 4:00 p.m. at the Hotel duPont located at Eleventh and Market Streets in Wilmington, Delaware. Parking validation will be provided for garage or valet parking at the hotel.

At the meeting, stockholders will act on the following matters:

- The election of six directors. Two directors to hold office until the 2010 Annual Meeting of Stockholders and four directors to hold office until the 2012 Annual Meeting of Stockholders;
- The ratification of the appointment of KPMG LLP as the independent registered public accountants for the fiscal year ending December 31, 2009;
- An advisory (non-binding) vote on executive compensation;
- The approval of amendments to the WSFS Financial Corporation Certificate of Incorporation; and
- Such other matters as may properly come before the meeting or any adjournment thereof.

All stockholders of record holding shares of WSFS Financial Corporation common stock at the close of business on March 5, 2009 are entitled to vote at the meeting. This proxy statement and the enclosed proxy card were mailed to stockholders on or about March 25, 2009.

Your vote is important regardless of how many shares of WSFS stock you own. **Even if you plan to attend the meeting, we urge you to ensure that your shares are represented at the meeting by returning the enclosed proxy card. A return envelope with pre-paid postage is enclosed for your convenience.** Mark on your proxy card how you wish your shares to be voted, and please be sure to sign and date your proxy card. Returning your vote by proxy will not prevent you from later voting in person if you do come to the meeting. Please note, however, that if the stockholder of record for your shares is a broker, bank or other nominee and you wish to vote at the meeting, you will need to obtain a proxy issued in your own name from your stockholder of record.

Sincerely,

Marvin N. Schoenhals

Chairman

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Appendix A – Amended and Restated Certificate of Incorporation

1. About the Annual Meeting

Important Notice Regarding Internet

Availability of Proxy Materials

For the Shareholder Meeting to be

Held on April 23, 2009 at 4:00 p.m.

Please contact Sharon Croft at 302-571-7184 if you need directions.

The Proxy Statement and Annual Report on Form 10-K

are available at www.wsfsbank.com

What is the purpose of the Annual Meeting?

The WSFS Financial Corporation 2009 Annual Meeting of Stockholders will be held at the Hotel duPont, Eleventh and Market Streets in Wilmington, Delaware on April 23, 2009 at 4:00 p.m. The business to be conducted at the meeting is the election of directors, the ratification of the appointment of KPMG LLP as our independent registered public accountants, an advisory (non-binding) vote on executive compensation and the approval of amendments to our Certificate of Incorporation. There will be six board seats up for election at this year's meeting and we have nominated the persons currently filling those seats for reelection: Linda C. Drake, David E. Hollowell, Jennifer W. Davis, Donald W. Delson, Scott E. Reed and Claibourne D. Smith. Mrs. Drake and Mr. Hollowell have been nominated for one-year terms and Ms. Davis, Mr. Delson, Mr. Reed and Dr. Smith have been nominated for three-year terms. Each is a current director of WSFS Financial Corporation. You can find information about all of our current directors beginning on page eight.

Why are you sending me a proxy card? What are you going to do with it?

In order to hold the meeting, we need to have present, in person or by proxy, the holders of a majority of WSFS common stock outstanding as of March 5, 2009, which was selected by the Board of Directors as the record date to determine which stockholders will receive notice of the meeting and be entitled to vote at the meeting. As of that date, there were 6,165,099 shares of WSFS common stock outstanding. We are providing you with a proxy card so that your shares can be counted as present at the meeting and can be voted at the meeting even if you do not attend the meeting in person.

Your shares will be voted in accordance with your instructions on the proxy card to vote either for or to withhold your vote regarding each of the nominees for election as directors, and to vote for, against or abstain on the ratification of the appointment of the independent registered public accountants and for each of the other proposals to be voted on at the meeting. If you sign and return the proxy card to us without indicating how you wish to vote, we will vote your shares for each of the nominees and for the ratification of

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the appointment of the independent registered public accountants and for each of the other proposals to be voted on at the meeting.

For those shares that we have been given a proxy, we will have discretionary authority to vote as we see fit on any procedural matters relating to the conduct of the meeting. Furthermore, in the event that one or more of our nominees is unable to stand for election as the result of an unexpected occurrence, we may vote shares that we hold a proxy for in favor of anyone we select to be a substitute nominee. Alternatively, we may reduce the size of the Board to eliminate the vacancy.

Why did I receive more than one proxy card?

If you hold your shares of WSFS stock in more than one account or name, you will receive multiple proxy cards and you must return a proxy card for each account or name in order to vote all of your shares.

Can I revoke my proxy or change my vote?

Yes. You can change your vote at any time by completing and returning a new proxy before the meeting. You may also revoke your proxy by sending a written notice to WSFS Financial Corporation, Attention: Corporate Secretary, WSFS Bank Center, 500 Delaware Avenue, Wilmington, Delaware 19801, or providing written notice in person at the meeting. If you vote by proxy and then attend the meeting, you do not need to vote again in person unless you want to change your prior vote. Attending the meeting in person will not cancel your proxy unless you vote in person at the meeting. Please note that if your shares are not registered in your own name, you will need additional documentation from your broker to vote in person at the meeting.

How many votes does a nominee need in order to be elected?

Directors are elected by plurality vote, meaning that the nominees who receive the greatest number of votes are elected. You may vote for a nominee or you may withhold your vote for a nominee. In a contested election, the number of seats up for election is less than the number of persons nominated for election as directors and the winning nominees are the ones who receive more votes than the other nominees. In an uncontested election, there are enough seats up for election for all of the nominees so all will be elected as directors regardless of the number of votes they each receive. It is our policy, however, that in an uncontested election any director who was elected by less than a majority of votes in favor of their election should promptly offer to resign from the Board and request the Board to accept or reject the resignation offer at the Board's discretion. The Board's Corporate Governance Committee will consider resignation offers and make its recommendation to the full Board. The Board will accept or reject the director's resignation offer within 90 days.

How many votes do I have?

Each share of WSFS Financial Corporation common stock is entitled to one vote. We do, however, permit cumulative voting in the election of directors, meaning that if you have 100 shares and there are six seats up for election, you have 600 votes to distribute among the nominees as you see fit. You can distribute them equally and cast 100 votes for each

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nominee or you may give more votes to certain nominees, even giving all 600 votes to a single nominee if you wish. You must attend the meeting and vote in person if you want to cumulate your vote for directors.

If you give us a proxy to vote your shares at the meeting, we will distribute your votes among the nominees as we see fit. If you do not want us to use cumulative voting for your shares, you may state that on your proxy card.

How many votes are required to ratify the appointment of the independent registered public accountants?

To be ratified, the appointment of KPMG LLP as our independent registered public accountants must receive a majority of the votes cast on that proposal.

What are stockholders being asked to approve regarding executive compensation?

Stockholders are being asked to approve the following resolution:

“Resolved, that the stockholders approve the compensation of the Company’s executives as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission.”

Is the stockholder vote on executive compensation binding on the Company?

This is an advisory vote only. Neither we, nor the Board of Directors, will be bound to take action based upon the outcome. The Compensation Committee will consider the vote of the stockholders when considering future executive compensation arrangements.

How many votes are required to approve the amendments to the WSFS Financial Corporation Certificate of Incorporation?

To be amended, the WSFS Financial Corporation Certificate of Incorporation must receive a favorable vote by a majority of all shares of WSFS common stock outstanding as of the March 5, 2009 record date.

Will members of management and the Board of Directors be at the meeting?

Yes. Our policy is that all members of the Board of Directors and all senior management officers should attend the annual meeting, and, except for Mr. Reed, all were present at last year’s annual meeting. We expect that all directors will attend this year.

Can I ask questions at the meeting?

Yes. We see the annual meeting as an opportunity for stockholders to have access to the Board of Directors and senior management in a public forum, and we invite stockholders to submit questions or comments in advance of the meeting. This is an important part of the process, and we have established a procedure for stockholders to send communications to the Board of Directors as well as to management.

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While legal considerations and timing issues may prevent us from answering all questions or addressing all comments, we believe this dialogue is helpful in increasing communication with our stockholders.

Please send questions to:

WSFS Financial Corporation

Investor Relations

WSFS Bank Center

500 Delaware Avenue

Wilmington, Delaware 19801

or: stockholderrelations@wsfsbank.com

We will attempt to respond to as many of the questions and comments we receive as possible. The questions, comments and responses will be posted on our website at www.wsfsbank.com.

The Board of Directors strongly encourages communications from stockholders. Stockholders who wish to send communications to the Board of Directors during the year may do so by writing to the attention of Charles G. Cheleden, Vice Chairman and Lead Director, WSFS Bank Center, 500 Delaware Avenue, Wilmington, Delaware 19801. In addition, all written communications from stockholders received by management are shared with the Board no later than the next regularly scheduled Board meeting.

If I have a proposal that I want the stockholders to vote on, how do I get it on the agenda for the meeting?

The deadline has passed for this year's annual meeting – it is too late to give us notice of a proposal that you would like to be brought before the stockholders for a vote at the 2009 Annual Meeting of Stockholders. We expect to hold the 2010 Annual Meeting in April 2010 and to mail our proxy statement during March 2010. To get your proposal on the agenda for the 2010 Annual Meeting, you must give us notice no earlier than November 26, 2009 and no later than December 26, 2009. If you want your proposal to be included in our proxy statement and on our proxy card for the 2010 Annual Meeting, we must receive your proposal by November 23, 2009. All notices and proposals should be addressed to the attention of the Corporate Secretary, WSFS Financial Corporation, WSFS Bank Center, 500 Delaware Avenue, Wilmington, Delaware 19801.

Can I obtain copies of the proxy statement and related materials over the Internet?

Copies of this proxy statement and the Annual Report on Form 10-K are available on the internet at www.wsfsbank.com. Stockholders can elect to receive future proxy statements and annual reports over the Internet rather than in printed form. Stockholders of record can make this election either by calling toll-free to (888)WSFSBANK, by sending an email to stockholderrelations@wsfsbank.com, or by following the instructions at www.wsfsbank.com/investor-relations. If you hold your shares in street name, please refer to the information provided by your broker, bank or other nominee for instructions on how to elect to access future proxy materials over the Internet.

2. Matters to be Voted on at the Meeting

Proposal Number 1: Election of Directors

The Board of Directors is divided into three classes, and each class serves for a term of three years. This year there are six directorships to be filled at the meeting. We have nominated the following six persons for election:

- Linda C. Drake, for a one-year term
- David E. Hollowell, for a one-year term
- Jennifer W. Davis, for a three-year term
- Donald W. Delson, for a three-year term
- Scott E. Reed, for a three-year term
- Claibourne D. Smith, for a three-year term

The Board of Directors recommends a vote in favor of these nominees.

Proposal Number 2: Ratification of the Appointment of Independent Registered Public Accounting Firm

KPMG LLP has served as our independent registered public accounting firm since 1994. The Board of Directors has appointed KPMG LLP to continue to be our independent registered public accounting firm for the current fiscal year ending December 31, 2009. The Audit Committee evaluated the selection of KPMG LLP and gave a recommendation to the Board in favor of KPMG LLP. We are asking the stockholders to ratify the Board's decision to appoint KPMG LLP for the 2009 fiscal year.

Representatives of KPMG LLP are expected to be present at the Annual Meeting to respond to appropriate questions and will have the opportunity to make a statement if they desire to do so.

The Board of Directors recommends a vote in favor of the ratification of KPMG LLP as the independent registered public accounting firm.

Proposal Number 3: Advisory (non-binding) Vote on Executive Compensation

The American Recovery and Reinvestment Act of 2009, signed into law on February 17, 2009, includes a provision requiring Capital Purchase Program ("CPP") participants, during the period in which any obligation arising from assistance provided under the CPP remains outstanding, to permit a separate shareholder vote to approve the compensation of executives as disclosed pursuant to the compensation rules of the Securities and Exchange Commission. This requirement applies to any proxy, consent, or authorization for an annual or other meeting of the participant's stockholders. Under this law, the

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stockholder vote is not binding on the board of directors of the CPP participant, and may not be construed as overruling any decision by the participant's board of directors.

Therefore, stockholders are being given the opportunity to vote on an advisory (non-binding) resolution at the Annual Meeting to approve the compensation of our executives as described under "Compensation Discussion and Analysis" and tabular disclosure of Named Executive Officer compensation in our 2009 proxy statement and related material. This proposal, commonly known as a "say-on-pay" proposal, gives stockholders the opportunity to endorse or not endorse our executive compensation.

The purpose of our compensation policies and procedures is to attract, motivate and retain experienced, highly-qualified executives critical to our long-term success and enhancement of stockholder value. The Board of Directors believes our compensation policies and procedures achieve this objective, and therefore recommend stockholders vote "For" the proposal.

Stockholders are being asked to approve the following resolution:

"Resolved, that the stockholders approve the compensation of the Company's executives as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission."

This is an advisory vote only. Neither we, nor the Board of Directors, will be bound to take action based upon the outcome. The Compensation Committee will consider the vote of the stockholders when considering future executive compensation arrangements.

The Board of Directors recommends a vote in favor of the resolution approving executive compensation.

Proposal Number 4: Approval of Amendment to Article Fourth, Paragraph A of our Restated Certificate of Incorporation

We are asking stockholders to approve the deletion of a portion of Article Fourth, Paragraph A of our Restated Certificate of Incorporation. It is not required by Delaware General Corporation Law and is applicable only to federal savings banks, not to Delaware Business Corporations like ours.

A more detailed discussion of this amendment can be found beginning on page 14.

The Board of Directors recommends a vote in favor of the amendment to Article Fourth, Paragraph A of our Restated Certificate of Incorporation.

Proposal Number 5: Approval of Amendment to Delete Article Fourth, Paragraph C and Article Sixth, Paragraph (d) of our Restated Corporation Certificate of Incorporation

We are asking stockholders to approve the deletion of Article Fourth, Paragraph C and Article Sixth, Paragraph (d) of our Restated Certificate of Incorporation. These paragraphs were only applicable for a period of five years after the conversion of Wilmington Savings Fund Society, FSB from mutual to stock form and have, by their terms, expired and are no longer applicable.

A more detailed discussion of this amendment can be found on page 15.

The Board of Directors recommends a vote in favor of these amendments to delete Article Fourth, Paragraph C and Article Sixth, Paragraph (d) of our Restated Certificate of Incorporation in their entirety.

Proposal Number 6: Approval of Amendment to Delete Article Fifth of our Restated Corporation Certificate of Incorporation

We are asking stockholders to approve the deletion of Article Fifth of our Restated Certificate of Incorporation. This article has, by its terms, expired and is no longer applicable.

A more detailed discussion of this amendment can be found on page 15.

The Board of Directors recommends a vote in favor of the amendment to delete Article Fifth of our Restated Certificate of Incorporation in its entirety.

3. Directors and Officers of WSFS Financial Corporation and Wilmington Savings Fund Society, FSB

Listed below is information about our directors and executive management officers. Currently, all directors of WSFS Financial Corporation also serve as directors for its subsidiary, Wilmington Savings Fund Society, FSB (which we generally refer to as WSFS Bank).

Current Directors: Marvin N. Schoenhals, Charles G. Cheleden, Jennifer W. Davis, Donald W. Delson, John F. Downey, Linda C. Drake, David E. Hollowell, Joseph R. Julian, Dennis E. Klima, Calvert A. Morgan, Jr., Thomas P. Preston, Scott E. Reed, Claibourne D. Smith and Mark A. Turner.

Marvin N. Schoenhals

Chairman of WSFS Financial Corporation and WSFS Bank since 1992

Age 61

WSFS Financial Corporation director since 1990; current term expires at the 2010 Annual Meeting of Stockholders

Mr. Schoenhals also serves as a director of Delaware State Chamber of Commerce

Charles G. Cheleden

Attorney

Age 65

Vice Chairman of WSFS Financial Corporation since 1992

Lead Director of WSFS Financial Corporation since 2004

WSFS Financial Corporation director since 1990; current term expires at the 2011 Annual Meeting of Stockholders

Jennifer W. Davis

Vice President of Administration – University of Delaware

Age 38

WSFS Financial Corporation director since February 2009; current term expires at the 2009 Annual Meeting of Stockholders

From 2002 to 2008, Ms. Davis was Budget Director then Cabinet Secretary for the Office of Management and Budget for the State of Delaware

Ms Davis is also President of “For Grace’s World,” a non-profit organization.

Donald W. Delson

Senior Advisor, Keefe, Bruyette & Woods, Inc. since February 2009

Managing Director, Investment Banking Division, Keefe, Bruyette & Woods, Inc. from 1997 to 2009.

Age 57

WSFS Financial Corporation director since February 2009; current term expires at the 2009 Annual Meeting of Stockholders

Mr. Delson also serves as a director of Atlas America, Inc.

John F. Downey

Executive Director of the Office of Thrift Supervision from 1989 to 1998
Age 71
WSFS Financial Corporation director since 1998; current term expires at the 2010 Annual Meeting of Stockholders

Linda C. Drake

Founder and Chair of TCIM Services, Inc. (a business services and software technology provider)
Age 60
WSFS Financial Corporation director since 1999; current term expires at the 2009 Annual Meeting of Stockholders

David E. Hollowell

Consultant
Executive Vice President and University Treasurer of the University of Delaware from 1988 to 2007
Age 61
WSFS Financial Corporation director since 1996; current term expires at the 2009 Annual Meeting of Stockholders

Joseph R. Julian

Chairman and CEO of JJID, Inc, a highway construction company
Age 71
WSFS Financial Corporation director since 1983; current term expires at the 2011 Annual Meeting of Stockholders
Mr. Julian also serves as a director of Maryland Materials, Inc.

Dennis E. Klima

President, CEO and director of Bayhealth, Inc.
Chairman, CEO and director of Bayhealth Medical Center, Inc.
Age 64
WSFS Financial Corporation director since 2004; current term expires at the 2011 Annual Meeting of Stockholders

Calvert A. Morgan, Jr.

Consultant
Former Chairman, President and CEO of PNC Bank, Delaware
Age 60
Vice Chairman WSFS Bank since 2006
WSFS Financial Corporation director since 2004; current term expires at the 2010 Annual Meeting of Stockholders
Mr. Morgan also serves as a director of Chesapeake Utilities Corporation

Thomas P. Preston

Attorney, partner with the law firm of Blank Rome, LLP

Age 62

WSFS Financial Corporation director since 1990; current term expires at the 2010 Annual Meeting of Stockholders

Mr. Preston is the Chair of St. Francis Hospital and a member of the Board of the Tatnall School

Scott E. Reed

Senior Executive Vice President and Chief Financial Officer of BB&T Corporation (a top U.S. bank holding company) from 1981 to 2005.

Mr. Reed began his career with BB&T in 1972.

Age 60

WSFS Financial Corporation director since 2005; current term expires at the 2009 Annual Meeting of Stockholders

Claibourne D. Smith

Acting President, Delaware State University

Vice President - Technology and Professional Development for E.I. du Pont de Nemours & Company, Incorporated from 1964 to 1998

Age 70

WSFS Financial Corporation director since 1994; current term expires at the 2009 Annual Meeting of Stockholders

Mark A. Turner

President and Chief Executive Officer, WSFS Financial Corporation and WSFS Bank since 2007

Chief Operating Officer/Secretary of WSFS Financial Corporation and WSFS Bank, 2001 to 2007

Chief Financial Officer of WSFS Financial Corporation and WSFS Bank, 1998 to 2004

Age 45

WSFS Financial Corporation director since 2007; current term expires at the 2011 Annual Meeting of Stockholders

Executive Management:

Peggy H. Eddens, Barbara J. Fischer, Stephen A. Fowle, Richard Immesberger, Rodger Levenson and Richard M. Wright

Peggy H. Eddens

Executive Vice President, Human Capital Management Department, WSFS Bank since 2007

Age 53

From 2003 to 2007, Mrs. Eddens was Senior Vice President for Human Resources and Development for NexTier Bank, Butler, PA.

Barbara J. Fischer

Executive Vice President, Chief Administrative Officer, WSFS Bank; Mrs. Fischer has been an executive with WSFS since 2001
Age 51

Stephen A. Fowle

Executive Vice President and Chief Financial Officer of WSFS Financial Corporation and WSFS Bank since 2005
Age 43
From 2000 to 2004, Mr. Fowle was Chief Financial Officer at Third Federal Savings and Loan Association of Cleveland, MHC, Cleveland, Ohio. From 1994 to 2000, Mr. Fowle was Vice President of Corporate Finance at Robert W. Baird & Co, Incorporated in Milwaukee, Wisconsin, a regional investment banking firm.

Richard Immesberger

Executive Vice President – Wealth Management, WSFS Bank since 2008
Age 43
From 2003 to 2008 Mr. Immesberger was Senior Vice President, Private Client Advisor for Bank of America

Rodger Levenson

Executive Vice President/Director of Commercial Banking for WSFS Bank since 2006
Age 47
From 2003 to 2006 Mr. Levenson was Senior Vice President and Manager at Citizens Bank and from 1986 to 2003 he held a number of positions at Wachovia Bank.

Richard M. Wright

Executive Vice President/Director of Retail Banking and Marketing for WSFS Bank since 2006
Age 56
From 2003 to 2006 Mr. Wright was Executive Vice President, Retail Banking and Marketing for DNB First in Downingtown, PA.

Transactions with Our Insiders

In the ordinary course of its business as a bank, WSFS Bank makes loans to our directors, officers and Associates. These loans are subject to limitations and restrictions under federal banking laws and regulations and are made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with other persons. These loans do not involve more than the normal risk of collectibility or present other unfavorable features to WSFS Bank.

We carefully evaluate any circumstances, transactions or relationships that we feel could have an impact on whether the members of our Board of Directors are independent of us or our subsidiaries, including WSFS Bank, and are able to conduct their duties and responsibilities as directors without any personal interests that would interfere or conflict with those duties and responsibilities.

All of our directors other than Mr. Schoenhals, Mr. Turner and Mr. Morgan are independent. Mr. Schoenhals and Mr. Turner are Associates of WSFS Financial Corporation and WSFS Bank and are not independent by virtue of not being outside directors. Mr. Morgan is not an independent director because at the time he became a director he was also retained to serve as a Special Advisor. Mr. Morgan has 38 years experience in the banking industry in Delaware and was formerly Chairman, President and CEO of PNC Bank, Delaware. The Board concluded that his background, market knowledge, customer relationships and community involvement could provide significant benefits to us as a consultant, and would be appropriate for him to be retained as a consultant as well as serving on the Board. Information about Mr. Morgan's compensation in his capacity as a Special Advisor can be found on page 51.

Section 16(a) Beneficial Ownership Reporting Compliance

Our officers and directors are required to file forms with the Securities and Exchange Commission (the SEC) to report changes in their ownership of WSFS Financial Corporation common stock. The forms must be filed with the SEC generally within two business days of the date of the trade. To our knowledge, the only late filing during 2008 was by Mr. Immesberger who was late in filing his Form 3.

Ownership of WSFS Financial Corporation Common Stock

The number of shares of our Common Stock owned by the directors and executive officers as of March 5, 2009, the record date set for the 2009 Annual Meeting of Stockholders, is shown below. The table also shows the amount of their shares as a percentage of all of the shares of our Common Stock outstanding.

Shares that these individuals could acquire by exercising stock options are included in the amounts shown. The individuals do not all have the same number of grants, and the different amounts are shown in the table below. Only options that are currently exercisable or that will become exercisable in the next 60 days have been treated as though the options have been exercised and the individual owns those shares.

Directors:	Number of Shares (Including Exercisable Options)¹	Percentage of our Common Stock Outstanding
Marvin N. Schoenhals	130,130	2.08%
Charles G. Cheleden	17,278	0.28%
Jennifer W. Davis	425	0.01%
Donald W. Delson	2,425	0.04%
John F. Downey	15,378	0.25%
Linda C. Drake	15,278	0.25%
David E. Hollowell	16,618	0.27%
Joseph R. Julian	75,154	1.22%
Dennis E. Klima	8,228	0.13%
Calvert A. Morgan, Jr.	11,878	0.19%
Thomas P. Preston	17,133	0.28%
Scott E. Reed	5,628	0.09%
Claibourne D. Smith	14,708	0.24%
Mark A. Turner	114,167	1.83%
Executive Officers:		
Peggy H. Eddens	1,385	0.02%
Barbara J. Fischer	25,938	0.42%
Stephen A. Fowle	13,068	0.21%
Richard Immesberger	1,250	0.02%
Rodger Levenson	7,379	0.12%
Richard M. Wright	7,290	0.12%
Directors and Officers as a group (20 persons)	500,738	7.76%

¹ Includes exercisable options for each of the individuals as follows: Schoenhals: 93,227, Cheleden: 7,738, Davis: 0, Delson: 0, Downey: 8,738, Drake: 8,738, Hollowell: 6,378, Julian: 8,738, Klima: 2,738, Morgan: 6,738, Preston: 7,538, Reed: 1,938, Smith: 7,738, Turner: 85,810, Eddens: 1,275, Fischer: 22,147, Fowle: 8,400, Immesberger: 0, Levenson: 7,137, and Wright: 5,500.

4. The Proposed Amendments to the Restated Certificate of Incorporation

Our Restated Certificate of Incorporation currently includes several outdated provisions. These provisions are outlined below. We are asking stockholders to approve amendments to the existing Restated Certificate of Incorporation to delete the provisions discussed below. Attached as Appendix A hereto is the current version of our Restated Certificate of Incorporation, as amended through the date hereof. We have struck through the provisions that are included in our existing Restated Certificate of Incorporation but which we are proposing to delete.

Under Delaware law, each of these amendments to our Restated Certificate of Incorporation requires the approval of the holders of a majority of our shares outstanding.

Proposal Number 4: Amendment to Article Fourth, Paragraph A

We propose to delete a paragraph in Article Fourth, Paragraph A which reads as follows:

“Except for shares issued in connection with the merger of New Federal Savings and Loan Association, FSB with and into Wilmington Savings Fund Society, FSB, no shares of capital stock of any class or series (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly to officers, directors or controlling persons of the Corporation other than as part of a general public offering or as qualifying shares to a director, unless their issuance or the plan under which they would be issued has been approved by a vote of the holders of a majority of the total votes eligible to be cast at a meeting of stockholders.”

This provision is not required by Delaware General Corporation Law and is a carryover provision from the regulations of the Office of Thrift Supervision (“OTS”) applicable only to federal savings banks, not to Delaware business corporations, like ours. As this provision may limit our ability to issue stock in certain circumstances without stockholder approval, we are seeking approval to delete it in its entirety.

It is important to note that even with this amendment, we will still be required to obtain stockholder approval of most issuances of stock to our officers and directors or to establish a plan pursuant to which officers or directors may receive option or stock grants. This requirement will remain in place as long as our stock is traded on Nasdaq. Nasdaq rules provide an exception for certain grants in connection with the hiring of officers. In addition, Nasdaq would not require prior approval of private placements of our stock to directors or officers or issuances of stock in connection with acquisitions of companies in which directors or officers may own stock unless an officer or director had a 5% or greater interest in the company being acquired or, collectively, they owned 10% or more of the company being acquired.

The Board of Directors believes that the Nasdaq rule still provides stockholders with a say in most issuances of shares to insiders while providing us the potential flexibility it may need in the future.

Board Recommendation

The Board of Directors recommends a vote in favor of the amendment to Article Fourth, Paragraph A to our Restated Certificate of Incorporation to delete the above-described paragraph.

Proposal Number 5 – Amendment to Delete Article Fourth, Paragraph C and Article Sixth, Paragraph (d)

We propose to delete Article Fourth, Paragraph C and Article Sixth, Paragraph (d) in their entirety as they have, by their terms, expired. Article Fourth, Paragraph C limited the beneficial ownership of greater than 10% of our outstanding common stock. Article Sixth, Paragraph (d) restricted the ability to call special meetings of stockholders to the Board of Directors. In both cases, these restrictions were only applicable for a period of 5 years following the conversion of WSFS Bank from mutual to stock form. This conversion occurred in 1986 and, as such, the restrictions are no longer applicable. The rights of stockholders will not be affected by approval of these amendments but we believe that all extraneous provisions should be stricken from our governing documents so that a stockholder can easily understand his or her rights.

Board Recommendation

The Board of Directors recommends a vote in favor of the amendments to our Restated Certificate of Incorporation to delete Article Fourth, Paragraph C and Article Sixth, Paragraph (d) in their entirety.

Proposal Number 6 – Amendment to Delete Article Fifth

We propose to delete Article Fifth in its entirety as it has, by its terms, expired. Article Fifth restricted transfers of common stock or securities issued by the Company that may be deemed stock for a period of 37 months after the issuance by the Company of its 10% Convertible Preferred Stock, Series 1. This restriction expired in July, 1997. The rights of stockholders will not be affected by approval of this amendment but we believe that all extraneous provisions should be stricken from our governing documents so that a stockholder can easily understand his or her rights.

Board Recommendation

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The Board of Directors recommends a vote in favor of the amendment to our Restated Certificate of Incorporation to delete Article Fifth in its entirety.

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5. Compensation

Compensation Discussion and Analysis

Executive Summary

2008 was the first full year in which Mark A. Turner served as President and CEO. Mr. Turner assumed this position as of the April 2007 Shareholders' Meeting.

Marvin N. Schoenhals, who had been Chairman, President and CEO transitioned to Chairman of the Board. In addition to his full chairman duties, Mr. Schoenhals provides active leadership for our Wealth Management Group through its start-up period and other niche businesses including another start-up business, 1st Reverse Financial Services, LLC, a national reverse mortgage company, of which we hold a majority interest.

In early 2009, we participated in the United States Treasury TARP Capital Purchase Program (CPP) and received a capital investment from the U.S. Treasury of \$52.6 million. Participation in this program requires certain compensation restrictions on our Named Executive Officers (NEOs) described below.

There were also several changes to our compensation plans in 2008 to incorporate pay-for-performance best practices, to remain consistent with our long-term strategy and our high-performance goals, and to further align the plans with stockholder interests. Notably, revisions were made to our Management Incentive Plan (MIP) and our long-term equity plan which are more fully discussed later. In addition, we implemented a "one-time-only" incentive plan for 2008, the payment on which depended on attaining an earnings per share (EPS) target of \$4.77. This goal was not achieved and no payments were made under that plan. Details of these plans are more fully described later.

As a company, we pride ourselves on setting high, measurable goals, being accountable for achieving those goals, and continuing a "pay-for-performance" philosophy.

Our executive incentive compensation plans (which includes our Management Incentive Plan (MIP), covering our NEOs), have always focused on measures that are traditionally important to shareholders, incorporate industry standards, and are fundamental indicators of our performance, growth and health. These measures are Earnings Per Share (EPS) growth, Return on Average Assets (ROA) and Return on Average Equity (ROE). Our formula-based awards start by comparing ourselves to a group of similarly-sized peers (all publicly-traded banks and thrifts of \$1 to \$5 billion in assets), and our goals are set high. For example, we only achieve "Target," or average awards if we achieve performance at the 60th percentile of that group's results on all three measures. "Maximum" awards are achieved if we reach the 75th percentile of that group's performance. Reaching the 75th percentile *on all 3 measures*, ROA, ROE and EPS growth, is typically achieved by less than 10% of companies in that peer group.

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In early 2008, as the economy and industry headed into a difficult period, we further revamped our executive incentive compensation plans. This was completed after months of analysis, discussion and deliberation with our executive management, our Personnel and Compensation Committee (the Committee) and the Committee's outside compensation consultants, Amalfi Consulting, LLC. The changes were undertaken to incorporate evolving industry-recognized "best practices" in compensation and to be consistent with our corporate strategy and long-term goals.

Among many changes, we included new, leading-edge, pay-for-performance standards that increasingly reward executive management with restricted stock units (RSUs) for superior absolute performance, as indicated by reaching annual ROA tiers of 1.20%, 1.35% and 1.50% (considered high-performing levels in the industry, by historical standards). These RSUs are awarded **only if** these tiers are reached before the end of 2011, and then vest over not less than a four-year time period. Vesting over at least four years means these awards do not inure to the benefit of the NEO immediately, but over at least a four year period of time. Likewise, the cost is spread over at least four years. In addition, executives' standard annual incentives (which are granted based on how our performance compares to our peer group and individual goals) are decreased, pro-rata, to the extent our annual ROA is less than 1.0% (considered an average ROA performance for the industry, by historical standards). So for example, if our ROA was .75% in any year, incentives granted would be only 75% of the normal formulaic amount.

In 2008, partly because of a deepening recession, we recorded an ROA of 50 basis points, an ROE of 7.30%, and EPS of \$2.57. These were declines of 44% to 49% from our 2007 levels, but averaged at the 57th percentile of our peer group's results. In response to this performance, and the challenges we face in a deepening recession, the performance plans above dictated, and management's other voluntary actions resulted in, the following impact on executive compensation:

1. There were no merit increases to salary for NEOs for 2009.
2. There are no Company-paid perquisites for the second consecutive year (2008 and 2009). Any perquisites for business development and community networking are paid out-of-pocket by the executive.
3. Restricted stock that vests over at least four years was granted as the only variable compensation in 2009 for 2008 NEO performance. In the past, we have granted a combination of cash incentives and stock option incentives for the variable portion of NEO compensation. Restricted stock awards that vest over an extended period of time put more NEO compensation at risk and further align their long-term interests with those of our stockholders. In 2008, variable compensation awards for 2007 annual performance included cash bonuses and stock options (valued using Black-Scholes) and totaled \$802,317 or 35% of the NEO group's total compensation. In 2009, restricted stock awarded for 2008 annual performance had a grant date fair value of \$588,574. When added to their total compensation for 2008, it represented 28% of the NEO group's other compensation, for a decline of \$213,743 or 27%.

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Considering the total mix of compensation, we believe these three changes above are: (1) reasonable, (2) consistent with pre-established pay-for-performance plans, and (3) commensurate with our 2008 results, both in absolute terms, and in comparison to prior years' results and incentives.

Named Executive Officers (NEOs)

There was one change, shown below, to our list of NEOs from those reported in last year's proxy.

Named Executive Officers

2007

Mark A. Turner – President and Chief Executive Officer
Marvin N. Schoenhals – Chairman of the Board
Stephen A. Fowle – Executive Vice President and Chief Financial Officer
Rodger Levenson - Executive Vice President and Director of Commercial Banking
Barbara J. Fischer – Executive Vice President and Chief Administrative Officer

2008

Mark A. Turner – President and Chief Executive Officer
Marvin N. Schoenhals – Chairman of the Board
Stephen A. Fowle – Executive Vice President and Chief Financial Officer
Rodger Levenson - Executive Vice President and Director of Commercial Banking
Richard M. Wright – Executive Vice President and Director of Retail

Executive Compensation Restrictions Under TARP Guidelines

On January 21, 2009, our CEO, CFO and three of our most highly compensated senior executive officers (SEOs) voluntarily executed CEO Waiver Forms and CEO Letter Agreements in connection with our participation in the United States Treasury's TARP Capital Purchase Program (CPP). By executing these documents, the CEOs waived any claims they may have as individuals against the Treasury as a result of modifications to their existing compensation arrangements that are made or will be made in order to be in compliance with Section 111 of the Emergency Economic Stabilization Act (EESA).

Such modifications on executive compensation matters include (i) ensuring that incentive compensation for the CEOs do not encourage unnecessary and excessive risks that threaten our value; (ii) requiring a "clawback" of any bonus or incentive compensation paid to an CEO based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate; (iii) limiting severance payments to CEOs to the limits under Section 280G of the Internal Revenue Service Code for terminations not related to a change in control transaction and (iv) agreeing we would not deduct for tax purposes executive compensation in excess of \$500,000 in a tax year for each CEO.

Section 111 of EESA was amended in its entirety with the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA) on February 17, 2009. In accordance with the provisions of ARRA, no severance payments may be made to the CEOs during

the period in which the U.S. Treasury holds its equity investment in our Company (other than any warrants previously issued). In addition, no bonus, retention or incentive compensation may be paid to, or accrued for, at least the five most highly compensated employees, except for such compensation in the form of: (i) long-term restricted stock that do not fully vest during the period in which the U.S. Treasury holds its equity investment in us; (ii) has a value not greater than one-third of the total amount of annual compensation of the Associate receiving the stock; and (iii) other terms and conditions as the Treasury Secretary may determine are in the public interest. The Treasury will issue regulations to assist in complying with these new requirements under Section 111 of EESA, as amended by ARRA. The Compensation Committee may find it necessary to make certain modifications to the compensation opportunity for the NEOs after it has analyzed the restrictions and limitations under Section 111 of EESA, as amended, and applicable regulation after issuance.

Compensation Philosophy

Our general compensation philosophy remained unchanged from 2007 to 2008. We strive to be competitive in base pay, with salaries targeted at the median of banking peers comparable to our asset size. We structure our incentive system to provide rewards for performance. Our total compensation at expected performance levels is targeted to the median of our peers. For exceptional performance, we provide total compensation that compares to levels above the 75th percentile of our peers. Our goal is to be a high performing company and we have designed our compensation package toward attracting and retaining quality individuals, and motivating and rewarding them for strong performance.

The Role of the Personnel and Compensation Committee of the Board of Directors

Our Personnel and Compensation Committee (the "Committee") provides Board oversight and guidance with respect to the CEO and other Executives' compensation, benefits and perquisites. The Committee's primary responsibilities are to:

- approve and report to the Board salary levels and incentive compensation payable to senior officers and other key Associates;
- recommend to the Board the establishment of incentive compensation plans and programs;
- recommend to the Board the adoption and administration of certain Associate benefit plans and programs;
- approve and report to the Board payment of additional year-end contributions under certain of its retirement plans;
- oversee our stock incentive plans;
- approve and report to the Board stock incentive awards granted to our key Associates;
- annually, review and recommend to the Board performance goals and objectives with respect to the compensation of the Chairman and Chief Executive Officer consistent with approved compensation plans; Further, recommend to the Board compensation levels for the Chairman, CEO, Advisors to the Board and all Executive Vice Presidents;

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- engage any compensation consulting firm used by the Company to assist in the evaluation of Director, Chairman, CEO, Advisors to the Board or senior executive compensation; exercise sole authority to approve the terms and fees relating to such retention;
- in accordance with the requirements of ARRA, review the compensation and corporate governance standards and policies at the Company at least semi-annually to ensure that such executive compensation programs comply with applicable law and regulations and do not provide incentives to the CEOs to take unnecessary and excessive risks that threaten the value of the Company;
- perform such other functions as are, from time to time, assigned by the Board.

The Committee considers various factors in evaluating executive compensation, including:

- the executive's immediate level of responsibility;
- the experience level of the executive within his or her current discipline;
- the executive's performance for both the current year and prior years;
- the executive's potential for future development;
- the executive's potential to add to our long-term value;
- the potential risks that such compensation programs may pose to the value of the company.

The Role of Management in Executive Compensation

Our CEO provides recommendations for the Committee's consideration and manages our compensation programs and policies. His activities include:

- coordinating efforts with the Compensation Committee and the Committee's independent compensation consultant to obtain competitive market data and industry best practices;
- based upon data provided by the Compensation Committee, reviewing compensation programs for competitiveness and aligning compensation programs with WSFS' strategic goals;
- recommending changes on compensation programs to the Compensation Committee, where appropriate;
- recommending pay levels and incentive plan payments for NEOs, except for the CEO and the Chairman.

The CEO and Chairman excuse themselves from all Committee discussions of their compensation levels. In the past, this has applied to Mr. Schoenhals and Mr. Turner. As a practical matter, these individuals may discuss the formula by which their incentive compensation is structured, but do not participate in decisions regarding changes to their own compensation.

The Role of Consultants

In 2008, the Committee contracted with Amalfi Consulting LLC (Amalfi), an independent executive compensation consulting firm specializing in the financial services industry. During the year, Amalfi assisted the Committee with the following compensation-related projects: (i) the redesign and modifications to the long-term

incentive plan; (ii) analysis of competitive market pay data for various non-NEO positions, and (iii) assistance with the preparation of the 2008 Proxy. In addition to the 2008 projects, Amalfi conducted a detailed review and competitive analysis of executive compensation in the fall of 2007 and provided recommendations for improvements to our annual incentive plan. Amalfi consultants report directly to the Committee. In 2008, the activities of Amalfi were a continuation of a prior year's activities. From time to time, the Committee engages Amalfi to perform special projects in connection with our compensation plans. During 2008, no special projects were requested.

Peer Groups & Benchmarking

Approximately every three years, the Committee engages an independent consultant to conduct a formal review of our executive compensation program. The most recent review was the Amalfi report completed in 2007. Normally, during years in which no consultant is engaged, the Committee informally reviews proxy statements of a sampling of peer group companies in which to compare our executives' compensation. Due to the unusual market conditions during 2008, a comparison of executive compensation levels was not conducted in the fall of 2008. The Committee did not change existing base pay levels for executives and focused its efforts on the design and alignment of incentive pay programs with current strategic goals.

When benchmarking compensation and setting performance goals for incentive plans, the Committee has used two peer groups:

- The Compensation Peer Group ("CPG") provides a targeted assessment of the compensation practices for peer companies. The CPG allows us to compare our compensation to other banks that have similar performance, size and geographic locations and helps us align base compensation, incentives and equity awards with our compensation philosophy.
- The Performance Peer Group ("PPG") provides a national perspective of banks in the \$1 to \$5 billion asset size. We use the PPG to set appropriate bank-wide financial goals, drawing from the larger national dataset of comparably sized financial institutions.

Further details on each of these peer groups are provided below.

Compensation Peer Group ("CPG")

The CPG shown below was developed in 2007 based on collaborative discussions among management, the Committee and Amalfi. The organizations comprising the final CPG provided a dataset of peers comparable to our size, performance and location and met all of the following criteria:

- Located within CT, DE, MD, NJ, NY, PA, VA, and WV;
- Total Assets MRQ (most recent quarter as of 6/30/2007) between \$1.8 billion and \$6 billion. Average total assets were approximately \$3 billion;
- Return on Average Assets (ROA) greater than 0.9%;
- Return on Average Equity (ROE) greater than 10.00%.

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We compared key performance measures to the following peers. The data provided in the table below is as of year-end 2006.

				Total Assets
				2006 Y/E
Company Name	Ticker	City	State	(\$000)
1	F.N.B. Corp.	Hermitage	PA	6,007,592
2	National Penn Bancshares, Inc.	Boyertown	PA	5,452,288
3	NBT Bancorp Inc.	Norwich	NY	5,087,572
4	S&T Bancorp, Inc.	Indiana	PA	3,338,543
5	Harleysville National Corp.	Harleysville	PA	3,249,828
6	Dime Community Bancshares, Inc.	Brooklyn	NY	3,173,377
7	TrustCo Bank Corp NY	Glenville	NY	3,161,187
8	U.S.B. Holding Co., Inc.	Orangeburg	NY	2,923,247
9	Flushing Financial Corp.	Lake Success	NY	2,836,521
10	Sandy Spring Bancorp, Inc.	Olney	MD	2,610,457
11	City Holding Company	Charleston	WV	2,507,807
12	Hudson Valley Holding Corp.	Yonkers	NY	2,291,734
13	Tompkins Financial Corp.	Ithaca	NY	2,210,837
14	Union Bankshares Corp.	Bowling Green	VA	2,092,891
15	First Community Bancshares, Inc.	Bluefield	VA	2,033,698
16	Intervest Bancshares Corp.	New York	NY	1,971,753
17	Virginia Commerce Bancorp, Inc.	Arlington	VA	1,949,082
18	Univest Corp. of Pennsylvania	Souderton	PA	1,929,501
19	Parkvale Financial Corp.	Monroeville	PA	1,858,715
Average				2,983,507
25th Percentile				2,063,295
50th Percentile				2,610,457
75th Percentile				3,211,603
	WSFS Financial Corp.	WSFS	Wilmington	2,997,396
Percentile Rank of WSFS Financial Corp				63%

Since base pay levels changed during 2008, remained unchanged for 2009 and the benchmarking of pay levels was conducted in late 2007, the Committee focused its efforts on incentive plan design improvements during 2008. The next comprehensive compensation review is scheduled for 2010, with an informal assessment to be conducted during 2009.

Performance Peer Group

We created a performance peer group (PPG) consisting of all publicly-traded banks and thrift institutions in a total asset range of \$1 billion and \$5 billion as reported by SNL Financial. The top end of the asset range of the PPG for 2008 was increased from \$3 billion to \$5 billion to reflect the growth of WSFS from under \$3 billion to over \$3.4

billion in 2008. The PPG was comparable to our average size and performance, with an average ROA of 0.40% and an average ROE of 3.93% in 2008. The PPG consisted of 209 organizations throughout the United States. As noted earlier, the Committee used the PPG to set appropriate performance goals for our Management Incentive Plan.

Elements of Compensation

In the following section, we describe the elements of our NEO compensation packages. It includes a discussion of how we determine the amounts for each element, why each element is included in our NEO compensation program, and the actual payments resulting from our pay-for-performance incentive programs.

Base Salary

Why We Provide Base Salaries

We offer base salaries to provide a consistent and stable source of income to our NEOs. Base salaries also serve as a base amount for the determination of our pay-for-performance programs and serve as a significant retention and recruiting tool.

How We Determine Base Salary Amounts

We establish base salaries and assess market competitiveness by comparing our executives' qualifications, experience and responsibilities as well as their individual performance and value, with similar positions at our peers. Additional factors that play a role in setting the final base salary amount for NEOs are as follows:

- special circumstances related to staffing needs and market situations;
- levels of compensation provided from other compensation components.

When determining base salary amounts for newly hired NEOs, we incorporate the following additional factors:

- the prior incumbent's salary;
- the successful candidate's salary history;
- any market-based data provided by the external recruiter retained for the search;
- the salary requirements of other candidates being considered for the position who have a similar level of experience.

In late 2007, the analysis of base salaries conducted by Amalfi determined that our base salaries were comparable to the median base salary of our peers.

The table below shows changes to our NEO base salaries. Increases in 2008 reflected a combination of merit increases and changes to better align our NEOs with peer medians as determined in the Amalfi compensation review. Due to the current economic climate, our NEOs have voluntarily relinquished any increases to their base salaries for 2009.

Base Salary

NAMED EXECUTIVE OFFICERS	2007	2008¹	2007 to 2008 % increase	2009
Mark A. Turner – President and Chief Executive Officer	\$375,000	\$405,000	8.0%	\$405,000
Marvin N. Schoenhals – Chairman of the Board	463,000	463,000	0%	463,000
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	197,000	210,000	6.6%	210,000
Rodger Levenson – Executive Vice President and Director of Commercial Banking	235,000	235,000	0%	235,000
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	190,060	225,000	18.4%	225,000

¹ Increases effective March 1, 2008 based on 2007 performance, except for Mr. Levenson whose increase was effective November 1, 2007, and Mr. Wright whose increase was retroactive to January 1, 2008 as a result of his additional duties as Director of Marketing.

Annual Incentives

Our executives are eligible for an annual award under our Management Incentive Plan (MIP). We designed the MIP to reward performance based on excellence in performance on key financial metrics as compared to the PPG, defined in the *Peer Groups & Benchmarking* section presented earlier, and each executive's performance in meeting benchmarks related to the contribution to his or her area of responsibility. The Committee also retains the discretion to increase or decrease the awards under the MIP to take into consideration special performance events or other performance-based circumstances.

In addition to the incentive payments determined under the MIP, the Committee has the discretion to grant other awards to NEOs for extraordinary performance-based achievements. The Board did not exercise this discretion in 2008.

Why We Provide Annual Incentives

Our compensation program includes an annual performance-based award. The objective is to compensate executives based on achievement of bank-wide and individual goals related to building franchise value and shareholder value. The award is intended to reward short-term performance, typically annually, in line with our long-term goals and to motivate the executive to achieve outstanding results.

How We Determine Annual Incentive Amounts

The structure of our annual incentive plan includes: setting Company goals; setting personal performance goals; weighting the goals; providing incentive opportunities to NEOs; and measuring actual performance and calculating incentive awards.

- Setting Company goals

Each year the Committee reviews our metrics and establishes company-wide targets on the chosen metrics. In selecting the metrics, the Committee considers our short-term and long-term business strategy, the current business environment and the interests of the shareholders. The following metrics of our performance were chosen for 2008 and remain consistent with those selected in 2007.

1. Return on assets (ROA)
2. Return on equity (ROE)
3. Earnings per share (EPS) growth

Each was weighted evenly in our incentive plan.

In 2008, the Committee changed the way it compared our performance to peers. In 2007, the Committee used 2006 PPG performance data to set the goals for 2007. For many years, this one-year lag approach had not been an issue because the peer performance had been relatively consistent from year to year. In 2007, and to a lesser extent in 2006, the lag presented difficulties in fairly assessing our performance because of the sharp and notable decline in the economic environment and its impact on bank performance metrics. As a result, payments to our executives significantly decreased for 2007, which were paid in 2008. In an improving environment, the reverse would be true. In response to this weakness, the Committee redesigned the plan for 2008 to incorporate a contemporaneous measurement period that compares our 2008 performance to the 2008 performance of our peers. The availability of financial and other performance data is available shortly after the year-end and provides us the ability to assess performance on a comparable basis. If the economic environment changes during the year, either positively or negatively, a contemporaneous measurement comparison provides a much fairer approach to comparing our performance to peers.

Under our 2008 MIP, the “threshold” level for each goal was set at the 40th percentile of the 2008 PPG performance; the “target” level for each goal was set at the 60th percentile and the “maximum” level for each goal was set at the 75th percentile. Although the comparison was modified to be contemporaneous, the expectation levels remained the same as in prior years. Setting the “target” at the 60th percentile of peer performance is a clear reflection of the high performance expectations placed upon our NEOs. In 2008, the achievement of “Maximum” in all three performance criteria was accomplished by only 13% of the organizations in the PPG in 2008. Therefore, on a contemporaneous measurement basis, we continue to expect a “maximum” incentive award will be achieved only if we are *exceptionally* high-performing company compared to peers.

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In addition to the modifications to the performance period, we applied an additional modifier to the corporate performance goals. We believe it would be inappropriate to provide high payments for a sub-par performance year even if we significantly outperformed our peers. To protect against such a situation, we established an ROA-based modifier. Based on historically reasonable performance for the industry, the baseline ROA for the plan was set at 1.0%. If our ROA falls below 1.0% at the completion of the year, any payments otherwise due under the plan would be reduced by the percentage below the ROA baseline. The table below illustrates how the plan is intended to work.

2008 Year-End ROA	
Performance Peer Group (PPG) Results	ROA
Threshold (40th percentile)	0.28%
Target (60th percentile)	0.56%
Maximum (75th percentile)	0.75%
Results	0.50%
(Achieved between Threshold and Target)	
Payment with ROA Modifier	Target amount calculated at 50%

In prior years, we evaluated any unusual, one-time items greater than \$1 million, after tax, and considered adjustments for the purposes of calculating earnings for the MIP. Beginning in 2008, we increased this threshold. Our “quality of earnings” review now takes into consideration any unusual item greater than \$2 million that impacts cash equity or earnings. The modification requires consideration in the “quality of earnings” for any unusual items affecting franchise value, but did not necessarily impact earnings (i.e. material deferred revenue or deferred costs, items with no tax impact, and any adjustments directly to equity). Any “quality of earnings” evaluation will be made with a strong bias towards ensuring the impact to reported earnings is not done for the purpose of achieving earnings targets as defined under the annual incentive plan.

- **Setting personal performance goals**

At the beginning of the year, each NEO who reports to the CEO develops personal performance goals for the year consistent with the budget and strategic plan and submits them to the CEO for review, amendment and approval. Through a collaborative effort, these NEOs and CEO agree to the final individual performance goals.

In general, personal performance goals are established using four categories: Customer, Associate, Financial and Operational. All or some of the four categories may apply to each NEO depending upon each person’s area of responsibility and its impact on our strategic plan.

Under the MIP, the Committee measures the performance of the CEO and Chairman solely on Company-wide goals. However, the Board establishes individual performance expectations in addition to those associated with the MIP for these two NEOs. These performance expectations are established by the Committee after a review, discussion and

approval of recommendations submitted by the CEO and Chairman. When annual salary adjustments are being considered, the Committee assesses the NEO performance compared to expectations.

- Weighting the goals

The Committee believes the more senior the rank of the executive, the more responsibility that executive has for Company-wide performance. As a result, Company-wide performance measurement criteria play a larger role in determining the amount of incentive award the more senior the executive. Personal and business unit performance goals play a larger role in determining the amount of the incentive award for less senior ranked executives. Adjustments in the weighting of goals were made beginning with the 2008 plan year to better align executives with their respective level of authority, decision making and impact on results. The weighting of the bank-wide performance percentage for EVPs was increased to 75% reflecting their increased role in strategic matters.

The table below shows the weighting of performance measurement criteria for each NEO.

Named Executive Officer	Bank-Wide Performance		Personal Performance	
	Weighting	Percentage	Weighting	Percentage
Mark A. Turner – President and Chief Executive Officer	100	%	0	%
Marvin N. Schoenhals – Chairman of the Board	100	%	0	%
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	75	%	25	%
Rodger Levenson – Executive Vice President and Director of Commercial Banking	75	%	25	%
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	75	%	25	%

MIP awards are calculated using the percentage allocations shown above. For example, the MIP awards for Mr. Turner and Mr. Schoenhals are based entirely on Company-wide financial performance. Although they have personal performance goals, it is the company metrics that affect their MIP awards.

- Providing incentive opportunities to NEOs

The table below shows NEO incentive opportunities under the MIP. When setting MIP goals, the Committee took into consideration the opportunity levels for similar positions within the Compensation Peer Group (CPG) companies along with our philosophy of linking pay to performance. If we meet our performance criteria and the NEOs achieve their personal performance criteria and our ROA is at least 1.0%, we would provide awards as shown in the table. While targets for the CEO and Chairman remain identical to 2007, in 2008, target levels for EVPs were increased by 5%, from 35% to 40%. No changes were made to thresholds or maximum payments for any NEO. The modification of target levels for EVPs was intended to address the increases in responsibilities of these

executives. While these changes could have the effect of increasing incentive awards, the higher alignment of performance weightings with corporate goals and more objectivity in plan administration, should ensure that payments will be commensurate with an overall improvement in our performance.

MIP Opportunity as a Percent of Base Salary		Minimum	Target	Maximum
Named Executive Officer				
Mark A. Turner – President				
and Chief Executive Officer	25 %	50%	120%	
Marvin N. Schoenhals – Chairman of the Board	25 %	50%	120%	
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	17.5 %	40%	90%	
Rodger Levenson – Executive Vice President and Director of Commercial Banking	17.5 %	40%	90%	
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	17.5 %	40%	90%	

Timing of MIP Annual Awards and IRS Section 409A Requirements

The timing of annual awards occurs no later than March 15th of the year following the performance period. This timing provides ample opportunity for the finalization of year-end performance results as well as maintaining compliance with respect to the short-term deferral exception under Section 409A requirements of the Internal Revenue Service code. In addition, we made modifications, where necessary, to all plan documents to be in compliance with Section 409A prior to December 31, 2008.

Measuring actual performance and calculating incentive payments

The table below shows our 2008 targeted goals as compared to the 2008 performance of our Performance Peer Group (PPG). The formula is computed by assigning a value of 1 for Threshold, 2 for Target and 3 for Maximum. Our performance is compared to the MIP goals and a numerical value is interpolated. For example, if our ROA performance was exactly half-way between the Threshold goal (a value of 1) and Target goal (a value of 2), our ROA would receive a score of 1.5.

2008 Management Incentive Plan Company Performance Goals and Results					
Goal	Percentile Rank to PPG			2008	
	Threshold (40 th)	Target (60 th)	Max (75 th)	Actual Results	Score
Return on Assets (ROA)	0.28%	0.56%	0.75%	.50%	1.77
Return on Equity (ROE)	2.58%	6.16%	8.77%	7.30%	2.44
Earnings Per Share (EPS) Growth	-61.11%	-26.88%	-1.10%	-43.5%	1.51
				Average	1.91
				Percentile Rank	57 th

For the purposes of our MIP, our Return on Assets was 0.50% in 2008, which ranked in the 54th percentile of peers; Our Return on Equity was 7.30% in 2008, which ranked in the 66th percentile; and our growth of Earnings Per Share was -43.50% in 2008, which ranked in the 50th percentile. On average, these three metrics ranked us in the 57th percentile.

The MIP awards were based on financial information available to the Personnel and Compensation Committee at the time the recommendation and approval was made.

Since 2008 was a very difficult year for us and for the entire banking industry, all performance measures declined. But, we compared well to 2008 industry performance measures. The total value of awards to NEOs under the MIP was \$588,574 for 2008. This compares to \$802,317 for 2007. As a result, total MIP incentive awards to NEOs were 27% lower for 2008 than awards granted for 2007. The decline was the result of us not achieving our targets, which was directly related to the economic downturn affecting the financial services industry, particularly in credit costs.

Also, NEO achievement of some personal performance goals was impacted by the overall credit downturn in the financial services industry. For example, the deteriorating credit environment required additional provisions for loan losses in 2008. This negatively affected NEO personal performance that was tied to budgeted goals.

The CEO reviewed our 2008 performance and the NEO personal performance levels using the criteria described above. He presented incentive recommendations to the Committee based on that review. The table below shows the actual payments approved by the Committee for each NEO under the MIP. The Committee did not make any discretionary adjustments to the recommended amounts.

NAMED EXECUTIVE OFFICER	MIP Target Opportunity as a % of Base Salary	Actual 2008 paid in 2009		
		Percent of Total Compensation	# of Restricted Stock Units	Value ¹
Mark A. Turner – President and Chief Executive Officer	50%	30%	7,611	\$ 177,179
Marvin N. Schoenhals – Chairman of the Board	50%	30%	8,701	202,571
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	40%	24%	2,902	67,551
Rodger Levenson – Executive Vice President and Director of Commercial Banking	40%	23%	3,054	71,092
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	40%	24%	3,015	70,181

¹Value is based on a grant date fair value of \$23.28 on February 25, 2009 and vest over at least four years.

Mr. Wright received a retroactive base salary increase as he acted as a transitional leader for all of 2008 during the time we were conducting a search for an executive to head our marketing department. In January 2009, we decided to end the search and asked Mr. Wright to more permanently assume that responsibility. His 2009 MIP goals will also reflect his additional responsibilities.

Limited, One-Time Annual Incentive Opportunity for 2008

The modification of the performance period used for the annual incentive plan was undertaken to improve fairness in the original incentive plan design. Along with this modification, the Committee approved a one-time incentive opportunity for all MIP plan participants during 2008. Under this one-time arrangement, an EPS target of \$4.77 was set at the beginning of 2008. This target was considered to be an appropriate and reasonably challenging goal in a difficult environment and represented an increase of 5% from 2007 reported EPS. Shares of our stock were to be awarded as payment under this plan. Upon attainment of the target, the CEO and Chairman were to receive 1,030 shares and EVPs were to receive 486 shares. The plan had no threshold and was capped at the specified share amounts. At the end of 2008, the EPS target was not achieved and no shares were awarded under this one-time arrangement.

Equity/Long-Term Incentives

Our equity-based compensation plan is the primary method by which we provide long-term incentives to our executives. In the past, we typically made awards and provided incentives to our NEOs in the form of stock options annually, but other forms of equity compensation were available for award under our plan. 2008 was the first year in which we provided restricted stock.

Why We Offer Equity

We offer equity awards as a performance incentive to encourage ownership of our Common Stock to our executives and to further align the interests of management with those of our stockholders. Equity awards also provide value by attracting, motivating and retaining executives and provide appropriate and meaningful rewards to NEOs for our long-term success.

How We Determine Equity Award Levels

In March of 2008, the Committee, with Amalfi's assistance, designed a formal performance-based, long-term incentive plan. The following discussion provides details on the design of the plan, along with award levels for 2008.

- Long-Term Incentive (LTI) Plan Design

Our annual restricted stock award program delivers equity awards at the 40th percentile of market levels as long as the minimum level ROA of 1.0% is achieved annually. Restricted stock awards will be reduced in a proportional manner, identical to the methodology used for the annual incentive plan, if the minimum level of ROA is not met in a given year. Restricted stock awarded in 2008 have a five-year life and a minimum of a four-year vesting schedule. As a result of our participation in the TARP, the Treasury requires that full vesting may not occur until their equity interest has been repaid to the Treasury. As a result, the final vesting tranche will occur at the later of the end of the fourth year or the repayment of the Treasury's equity interest.

In addition, under the LTI plan, restricted stock (or performance shares) are granted at the beginning of a four-year performance period, but not actually earned until performance goals are met. In the example presented below, the 2008 grant of restricted shares will be earned at the end of 2011 or at an earlier year-end, but **only if** we achieve certain ROA goals. Once earned, restricted stock awards will then have a minimum four-year vesting period to aid in retention, subject to the Treasury's vesting restrictions mentioned above.

Compensation expense is recognized only when the performance condition is considered probable. If we fail to achieve the ROA performance goals, any compensation expenses associated with the restricted stock awards will be reversed and the awards will not vest.

Three levels of restricted stock awards can be earned based upon ROA performance achievement: Maximum 1, Maximum 2 and Maximum 3. We use a cliff approach so that defined ROA levels must be achieved by the end of 2011 to earn one of these award levels. If performance is below the Maximum 1 level by the end of 2011, the restricted stock award will not be earned during this initial performance period. If, by 2011, we achieve an ROA of 1.50%, the participants will earn the maximum award of restricted stock. If we achieve any of these ROA goals prior to 2011, the awards may be earned in the year in which the ROA goal was met. The table below provides the ROA goals used to determine the vesting of the restricted stock award. The Committee set the ROA goals at high-performance levels with the Maximum 1, Maximum 2, and Maximum 3 goals approximately equal to the 70th, 80th, and 90th percentile of the Peer Performance Group's (PPG's) 2006 performance results.

2011 Goal ROA	Maximum 1 ROA	Maximum 2 ROA	Maximum 3 ROA
	1.20%	1.35%	1.50%

- Award Levels Provided Under the LTI Plan

As noted earlier, we will award annual restricted stock grants targeting the 40th percentile of peers as long as we maintain an ROA of 1.0%. This award level provides the CEO and Chairman with awards at approximately 40% of base salary and EVPs with awards at approximately 25% of base salary as long as our ROA is greater than 1.0%.

Under the multi-year restricted stock awards, both the earnings potential and goal targets are set higher. If we achieve the Maximum 1 level of performance (or 1.20% ROA), the CEO and Chairman will earn approximately 120% of base salary in restricted stock. An EVP will earn approximately 80% of base salary in restricted stock. The two tables below show the award opportunity levels for all NEOs under the new LTI plan.

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The first table shows the annual award opportunity and the long-term restricted stock award opportunity, both as a percent of salary. The actual number of shares awarded will depend upon stock price and option value at the time of grant.

Equity Award Opportunity under the Long-Term Incentive Plan

NAMED EXECUTIVE OFFICER	Annual Restricted Stock Grant as a % of Base Salary	Performance-Based Restricted Stock Grants as a % of Base Salary		
		1.20%	1.35%	1.50%
		ROA	ROA	ROA
Mark A. Turner – President and Chief Executive Officer	40%	120%	180%	240%
Marvin N. Schoenhals – Chairman of the Board	40%	120%	180%	240%
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	25%	80%	100%	140%
Rodger Levenson – Executive Vice President and Director of Commercial Banking	25%	80%	100%	140%
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	25%	80%	100%	140%

The following table shows the restricted stock awards granted in 2008, under the long-term plan, representing an award opportunity for each NEO, subject to designated performance criteria. **Due to the performance vesting provision on the long-term restricted stock awards, the possibility exists that some or none of these restricted stock awards will vest at the end of the designated performance period. Awards vary in size based on performance achievement.**

GRANTS OF PLAN-BASED AWARDS

NAMED EXECUTIVE OFFICER	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards ¹			Fair Value
		Threshold	Target	Maximum	
Mark A. Turner, President and Chief Executive Officer	5/28/08	11,100	16,600	22,200	\$ 0
Marvin N. Schoenhals, Chairman	5/28/08	11,100	16,600	22,200	0
Stephen A. Fowle, Executive Vice President and Chief Financial Officer	5/28/08	3,500	4,300	6,000	0
Rodger Levenson, Executive Vice President and Director of Commercial Banking	5/28/08	3,500	4,300	6,000	0
Richard M. Wright, Executive Vice President and Director of Retail Banking and Marketing	5/28/08	3,500	4,300	6,000	0

¹Should the minimum performance fail to be achieved, no awards will vest, participants will receive no shares and no compensation cost will be recognized. At December 31, 2008, the achievement of the performance criteria was not deemed to be probable. As a result no compensation expense was recognized in 2008 for these awards.

The Committee has the discretionary authority to approve awards for outstanding performance and other specific events. The Committee did not exercise this discretionary authority in March 2009.

Timing and Pricing of Equity Awards

The Committee now awards restricted stock grants at the February meeting of the Personnel and Compensation Committee. Grants may be recommended during other times of the year for special circumstances, such as the hiring of a new executive, but are subject to Committee approval. The grant date is established when the Committee approves the grant and all key terms have been established. The fair value of our restricted stock awards is set as the market closing price on the day before the Committee meets.

Benefits

- 401(k) Employer Contribution

We provide a 401(k) program that allows Associates to contribute a portion of their pre-tax earnings towards retirement savings. We offer a Company match to all Associates enrolled in our 401(k) plan as a component of total compensation and to encourage them to participate in the Plan. We match the first 5% of an Associate's contribution dollar-

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for-dollar up to IRS limitations. In addition, the Board may authorize a discretionary profit sharing contribution to all eligible Associates reflecting overall financial performance. In 2008, the Board authorized a discretionary contribution equaling 1.5% of annual compensation for eligible participants. In recent years the amount had been 2%.

- **Other Deferred Compensation for NEOs**

Unlike some members of our peer group, we do not offer SERPs or deferred compensation plans. In consideration of that, the Committee approved additional restricted stock grants to certain highly compensated executives, including the NEOs, to compensate them for, among other things, contribution limitations to qualified retirement plans imposed by the IRS. In prior years, options were awarded. The supplemental equity awards shown in the table below are in addition to the equity awards provided in the table above. These supplemental equity awards are formulaic and are not incentive-based.

To calculate the supplemental equity awards, we add the deferral shortfall (the maximum deferral without applying the IRS compensation limit, minus the IRS limit for 2008, which was \$230,000) to the lost Company contribution opportunity (base salary minus \$230,000), and divide the sum by the closing price of our stock as of February 25, 2009. The following table shows the number and value of restricted stock grants used to replace the retirement shortfall for each of our NEOs during 2008.

Non-Qualified Deferred Compensation 2008 Supplemental Equity Awards (Formulaic)

Named Executive Officer	Number of Restricted Stock Units¹
Mark A. Turner – President and Chief Executive Officer	2,419
Marvin N. Schoenhals – Chairman of the Board	2,738
Stephen A. Fowle – Executive Vice President and Chief Financial Officer	683
Rodger Levenson – Executive Vice President and Director of Commercial Banking	858
Richard M. Wright – Executive Vice President and Director of Retail Banking and Marketing	438

¹ The grant date fair values of these awards were: For Mr. Turner, \$56,625; for Mr. Schoenhals, \$64,095; for Mr. Fowle, \$16,000; for Mr. Levenson, \$20,075; and for Mr. Wright, \$10,250.

An additional benefit of using equity to provide supplemental retirement benefits to our executives is the resulting increase in stock ownership provided to these key Associates. This further strengthens the alignment of executive goals with the interests of our shareholders and their four-year vesting acts as a retention tool.

Perquisites

Perquisites are granted to NEOs for specific reasons, and are identified either by the Committee or by the CEO and recommended to the Committee. In past years, perquisites have included club memberships, including country clubs, which are provided to assist in business development and to maintain competitiveness of overall compensation. Perquisites have also included benefits such as personal financial consulting.

As a result of the challenging economic environment, to reduce overall corporate expenses and set the tone for such spending, the NEOs voluntarily relinquished their annual perquisites for both 2008 and 2009. These benefits could be reinstated in 2010.

Unrelated to the above perquisites, executives who are recruited from outside our market may be reimbursed for costs associated with their relocation.

Total Compensation

The charts below show the components of total NEO compensation. Consistent with our pay-for-performance philosophy, a significant portion of their total compensation package is attributable to incentive components. The incentive categories (below) include the full value of restricted stock unit awards made in lieu of cash bonuses and in lieu of stock options. The value of the restricted stock units used in the graphs below, was computed by multiplying the number of units times our closing stock price on day prior to the grant date. Other compensation includes a company match for 401(k) contributions and awards described in *Other Deferred Compensation for NEOs* above.

Compared to the Compensation Peer Group, the average direct compensation and total compensation of our five NEOs is in line with the 50th percentile (median) and well below the 75th percentile. Although the comparison was initially completed in late 2007, we anticipate, under current market conditions, our competitive standing on executive pay remains similar to the prior year.

Employment Agreements

We do not have employment agreements for our NEOs. There is, however, a formal severance policy which, until the enactment of the American Recovery and Reinvestment Act of 2009 (ARRA), would have provided payments to NEOs if their employment is terminated without cause or following a change of control. ARRA, signed into law on February 17, 2009, prohibits severance payments from being made to NEOs during the period in which the Treasury holds an equity interest in participating institutions. As a result, our severance policy has been suspended until we no longer participate in the Treasury's TARP. Further details concerning Employment Agreements are provided under the *Potential Payments Upon Termination or Change in Control* Section.

Tax Considerations Related to Our Executive Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (Code Section 162(m)) provides that certain compensation paid in excess of \$1 million to the Chief Executive Officer or to any of the other three most highly compensated NEOs of a public company will not be deductible for federal income tax purposes unless such compensation is paid in accordance with one of the listed exceptions described in Code Section 162(m). Generally, we structure our compensation programs so that compensation expense will be tax deductible. The deductibility of some types of compensation payments, however, can depend upon numerous factors, including plan design, the timing of the vesting of compensation awards or the exercise of previously granted rights. Interpretations of, and changes in, applicable tax laws and regulations, as well as other factors beyond our control, also can affect deductibility of certain compensation. As a result of these various factors, and in order that the Committee retains flexibility in awarding compensation, there may be situations when compensation paid will not be tax deductible in accordance with Code Section 162(m). Further, during such period that the U.S. Treasury holds its investment in us under the CPP program, the Section 162(m) limitations are set at \$500,000 for the NEOs, and the compensation attributable to restricted stock and other "performance-based" compensation is includable in this \$500,000 limitation in accordance with applicable U.S. Treasury regulations.

Sections 280G and 4999 of the Internal Revenue Code of 1986, as amended (Code Sections 280G and 4999) limit our ability to take a tax deduction for certain compensation that could be paid to NEOs resulting from a change in control transaction affecting us. In the event we pay any "excess parachute payments" as it is defined under Code Section 280G, we would have compensation payments that are not tax deductible and executives would have excise taxes due on the receipt of such "excess parachute payments." The Committee considers the adverse tax liabilities imposed by Code Sections 280G and 4999, as well as other competitive factors when it structures certain compensation to our NEOs. We do not anticipate that any payments to be made related to a possible future change in control transaction will result in non-deductible payments under Section 280G of the Code; however, the Committee has the authority to approve

such payments on a case-by-case basis. No such non-deductible payments under Code Section 280G were paid to any current or former NEO during 2008.

See *Executive Compensation Restrictions* on page 18 for a discussion of additional tax considerations related to our participation in the Treasury's CPP

Other Executive Compensation Policies

The Board adopted an Ethics Policy, the provisions of which prohibit NEOs from using inside information to buy or sell our securities for a financial gain. To further ensure adherence to this policy, guidelines have been established for company-imposed trading blackout periods. Our regulatory counsel and the Chief Financial Officer offer direction to NEOs on compliance with this policy. The policy requires all NEOs to provide an annual certification of their understanding and intent to comply with the policy.

Personnel and Compensation Committee Report

The Committee has reviewed and discussed with management the Compensation Discussion and Analysis to be included in our 2008 Shareholder Meeting Proxy Statement filed pursuant to Section 14(a) of the Securities Exchange Act of 1934 (the "Proxy"). Based on the reviews and discussions referred to above, the Committee recommends to the Board that the Compensation Discussion and Analysis referred to above be included in our Proxy.

Personnel and Compensation Committee

Claibourne D. Smith, PhD, Chairman
David E. Hollowell
Dennis E. Klima

Linda C. Drake
Thomas P. Preston

Compensation of Executives

In accordance with the requirements of the United States Securities and Exchange Commission, which regulates the disclosures made by public companies such as us, the individuals whose compensation is discussed in this section are (1) Mark A. Turner because he served as our Principal Executive Officer during 2008, (2) Stephen A. Fowle because he served as our Principal Financial Officer during 2008, (3) Marvin N. Schoenhals, (4) Rodger Levenson and (5) Richard M. Wright because their total compensation placed them in the group of the three highest paid executives for 2008 other than the principal executive and principal financial officers. As a group, we also refer to these executives as our Named Executive Officers (NEOs) in this Proxy. The following is information about the compensation of our NEOs.

The information for these executives is organized according to the type of compensation. First, we show overall total compensation, including salaries, bonuses, option awards and certain other compensation, such as the matching contribution made to 401(k) plan investments, club dues and automobile allowances. Then, we explain in more detail the particular types of compensation these executives have received and could receive if they are terminated.

Summary Compensation Table

The following table summarizes the compensation of each NEO for the years ended December 31, 2008, 2007 and 2006.

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards ¹ (\$)	Option Awards ² (\$)	All Other	Total (\$)
						Compensation ³ (\$)	
Mark A. Turner, President and Chief Executive Officer	2008	\$400,000	\$0	\$0	\$ 88,928	\$ 11,500	\$500,428
	2007	356,866	110,000	0	80,745	110,714	658,325
	2006	262,000	148,000	0	112,160	27,420	549,580
Marvin N. Schoenhals, Chairman	2008	463,000	0	0	41,994	11,500	516,494
	2007	459,333	135,000	0	279,541	84,413	958,287
	2006	437,500	236,000	0	339,770	68,630	1,081,900
Stephen A. Fowle, Chief Financial Officer	2008	207,833	0	0	42,751	11,500	262,084
	2007	196,367	72,000	0	34,093	32,699	335,159
	2006	186,000	80,000	0	35,191	30,427	331,618
Rodger Levenson, Director of Commercial Banking	2008	235,000	0				
	2007	226,250	54,000				
	2006	35,048	40,000				