

Kearny Financial Corp.  
Form DEF 14A  
September 29, 2008  
UNITED STATES

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.       )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

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

**KEARNY FINANCIAL CORP.**

(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):

- X No fee required
- O Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11. (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

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September 29, 2008

Dear Fellow Shareholder:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of Kearny Financial Corp. to be held at our corporate headquarters located at 120 Passaic Avenue in Fairfield, New Jersey on Monday, October 27, 2008 at 10:00 a.m., Eastern Time. The attached notice and proxy statement describe the formal business to be transacted at the meeting.

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

On behalf of the Board of Directors and the officers and employees of Kearny Financial Corp. and its subsidiary Kearny Federal Savings Bank, I would like to take this opportunity to thank our shareholders for their continued support of Kearny Financial Corp. We look forward to seeing you at the meeting.

Sincerely

/s/ John N. Hopkins

John N. Hopkins

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*President and Chief Executive Officer*

120 Passaic Avenue, Fairfield, NJ 07004

973-244-4500

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**KEARNY FINANCIAL CORP.**

120 Passaic Avenue

Fairfield, New Jersey 07004

(973) 244-4500

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that the 2008 Annual Meeting of Shareholders (the "Annual Meeting") of Kearny Financial Corp. (the "Company") will be held at the Company's offices located at 120 Passaic Avenue, Fairfield, New Jersey on Monday, October 27, 2008 at 10:00 a.m., Eastern Time. The Annual Meeting is for the purpose of considering and acting upon the following matters:

1. The election of three directors; and
2. The ratification of the appointment of Beard Miller Company LLP as the Company's independent auditor for the fiscal year ending June 30, 2009.

Such other business as may properly come before the Annual Meeting or any adjournments thereof may also be acted upon. The Board of Directors is not aware of any other business to come before the Annual Meeting.

The Board of Directors of the Company has determined that the matters to be considered at the Annual Meeting, described in this Notice of Annual Meeting and the accompanying Proxy Statement, are in the best interest of the Company and its shareholders. For the reasons set forth in the Proxy Statement, the Board of Directors unanimously recommends a vote **"FOR"** each of its nominees and **"FOR"** the ratification of Beard Miller Company LLP as independent auditors.

Any action may be taken on any one of the foregoing proposals at the Annual Meeting on the date specified above, or on any date or dates to which, by original or later adjournment, the Annual Meeting may be adjourned. Pursuant to the Company's Bylaws, the Board of Directors has fixed the close of business on September 5, 2008 as the record date for determination of the shareholders entitled to notice of and to vote at the Annual Meeting and any adjournments thereof.

**Whether or not you plan to attend the Annual Meeting, you are requested to sign, date and return the accompanying proxy in the enclosed postage-paid envelope. You may revoke your proxy by filing a written revocation or a duly executed proxy bearing a later date with the Corporate Secretary. If you are present at the Annual Meeting, you may revoke your proxy and vote in person on each matter brought before the Annual Meeting. However, if you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to vote in person at the Annual Meeting.**

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Sharon Jones

SHARON JONES

*Corporate Secretary*

Fairfield, New Jersey

September 29, 2008

**IMPORTANT: IT IS IMPORTANT THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING REGARDLESS OF THE NUMBER OF SHARES YOU OWN. A SELF-ADDRESSED RETURN ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.**

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**KEARNY FINANCIAL CORP.**

**120 Passaic Avenue**

**Fairfield, New Jersey 07004**

**PROXY STATEMENT**

**FOR THE**

**2008 ANNUAL MEETING OF SHAREHOLDERS**

**GENERAL**

This Proxy Statement is being furnished to the shareholders of Kearny Financial Corp. (the "Company") in connection with the solicitation by the Board of Directors of proxies for use at the 2008 Annual Meeting of Shareholders, to be held at the Company's offices located at 120 Passaic Avenue, Fairfield, New Jersey on Monday, October 27, 2008 at 10:00 a.m., Eastern Time (the "Annual Meeting"). This Proxy Statement and the accompanying form of proxy are first being mailed to shareholders on or about September 29, 2008.

**VOTING AND PROXY PROCEDURES**

**Who Can Vote at the Annual Meeting**

You are only entitled to vote at the Annual Meeting if our records show that you held shares of our common stock, \$.10 par value (the "Common Stock"), as of the close of business on September 5, 2008 (the "Record Date"). If your shares are held by a broker or other intermediary, you can only vote your shares in person at the Annual Meeting if you have a properly executed proxy from the record holder of your shares (or their designee). As of the Record Date, a total of 70,450,703 shares of Common Stock were outstanding.

Each share of Common Stock has one vote in each matter presented, except that as provided in the Company's Charter, for a period of five years from February 23, 2005, the date of completion of the Company's initial public stock offering, no person, except Kearny MHC, is permitted to beneficially own in excess of 10% of the Company's outstanding common stock (the "Limit"), and any shares of Common Stock acquired in excess of the Limit are not entitled to vote. A person or entity is considered to beneficially own shares owned by an affiliate of the person or entity, as well as by persons acting in concert with the person or entity.

**Voting by Proxy**

The Board of Directors is sending you this Proxy Statement for the purpose of requesting that you allow your shares of Common Stock to be represented at the Annual Meeting by the persons named in the enclosed Proxy Card. All shares of Common Stock represented at the Annual Meeting by properly executed and dated proxies will be voted according to the instructions indicated on the Proxy Card. If you sign, date and return the Proxy Card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. **The Board of Directors recommends a vote "FOR" each of its nominees for director and a vote "FOR" ratification of the appointment of Beard**

**Miller Company LLP as the Company's independent auditor for the 2009 fiscal year.**

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If any matters not described in this Proxy Statement are properly presented at the Annual Meeting, the persons named in the Proxy Card will vote your shares as determined by a majority of the Board of Directors. If the Annual Meeting is postponed or adjourned, your Common Stock may be voted by the persons named in the Proxy Card on the new Annual Meeting dates as well, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the Annual Meeting.

You may revoke your proxy at any time before the vote is taken at the Annual Meeting. To revoke your proxy you must either advise the Company's Secretary in writing before your Common Stock has been voted at the Annual Meeting, deliver a later-dated proxy, or attend the Annual Meeting and vote your shares in person. Attendance at the Annual Meeting will not in itself revoke your proxy.

If you hold your Common Stock in "street name," you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this Proxy Statement. If you wish to change your voting instructions after you have returned a voting instruction form to your broker, bank or other nominee, you must contact your broker, bank or other nominee.

### **Participants in the Kearny Federal Savings Bank Employee Stock Ownership Plan and Employees' Savings and Profit Sharing Plan**

If you are a participant in the Kearny Federal Savings Bank Employee Stock Ownership Plan (the "ESOP") or hold Common Stock through the Kearny Federal Savings Bank Employees' Savings and Profit Sharing Plan (the "401(k) Plan"), you will receive a voting instruction form from each plan that reflects all shares you may vote under these plans. Under the terms of the ESOP, all shares held by the ESOP are voted by the ESOP trustees, but each participant in the ESOP may direct the trustees on how to vote the shares of Common Stock allocated to his or her account. Unallocated shares and allocated shares for which no timely voting instructions are received will be voted by the ESOP trustees as directed by the ESOP Committee consisting of the outside directors of the Board. Under the terms of the 401(k) Plan, you are entitled to direct the trustee how to vote the shares of Common Stock credited to your account in the 401(k) Plan. The 401(k) Plan trustee will vote all shares for which it does not receive timely instructions from participants at the direction of the Company's Board of Directors or the Plan Committee of the Board. The deadline for returning your voting instruction form to the trustees of the ESOP and 401(k) Plan is October 24, 2008.

### **Vote Required**

The Annual Meeting can only transact business if a majority of the outstanding shares of Common Stock entitled to vote is represented at the Annual Meeting. If you return a valid proxy or attend the Annual Meeting in person, your shares will be counted for purposes of determining whether there is a quorum even if you abstain or withhold your vote or do not vote your shares at the Annual Meeting. Broker non-votes will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not have discretionary voting power with respect to the agenda item and has not received voting instructions from the beneficial owner.

In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees, or vote in favor of all nominees except nominees you specify as to which you withhold your vote. There is no cumulative voting in the election of directors. Directors must be elected by a plurality of the votes cast at the Annual Meeting. This means that the nominees receiving the greatest number of votes

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will be elected. Votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In voting to ratify the appointment of Beard Miller Company LLP as independent auditors for the 2009 fiscal year, you may vote in favor of the proposal, against the proposal or abstain from voting. To be approved, this proposal requires the affirmative vote of a majority of the votes cast at the Annual Meeting. Broker non-votes and abstentions will not be counted as votes cast on the proposal and therefore will have no effect on the outcome of the voting on this proposal.

### PRINCIPAL HOLDERS OF OUR COMMON STOCK

The following table sets forth, as of the Record Date, certain information as to those persons who were known to be the beneficial owners of more than five percent (5%) of the Company's outstanding shares of Common Stock and as to the shares of Common Stock beneficially owned by all executive officers and directors of the Company as a group.

| Name and Address of Beneficial Owner                            | Amount and Nature of<br>Beneficial Ownership <sup>(1)</sup> | Percent of Shares<br>of Common Stock<br>Outstanding <sup>(2)</sup> |
|-----------------------------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------------|
| Kearny MHC<br>120 Passaic Avenue<br>Fairfield, New Jersey 07004 | 50,916,250                                                  | 72.3 %                                                             |
| All directors and executive officers as a<br>group (15 persons) | 2,384,474 <sup>(3)</sup>                                    | 3.38 %                                                             |

<sup>(1)</sup> For purposes of this table, a person is deemed to be the beneficial owner of shares of Common Stock if he or she has or shares voting or investment power with respect to such shares or has a right to acquire beneficial ownership at any time within 60 days from the Record Date. As used herein, "voting power" is the power to vote or direct the voting of shares and "investment power" is the power to dispose or direct the disposition of shares. Except as otherwise noted, ownership is direct, and the named persons or group exercise sole voting and investment power over the shares of the Common Stock.

<sup>(2)</sup> In calculating the percentage ownership of an individual or group, the number of shares outstanding is deemed to include any shares which the individual or group have the right to acquire through the exercise of options or otherwise within 60 days of the Record Date.

<sup>(3)</sup> Includes 1,217,544 shares which directors and executive officers have the right to acquire pursuant to options issued under the 2005 Stock Compensation and Incentive Plan which are or will become exercisable within 60 days of the Record Date, 85,536 shares of restricted stock which will vest within 60 days of the Record Date under the 2005 Stock Compensation and Incentive Plan, 90,264 shares held in the accounts of executive officers in the 401(k) Plan, and 65,206 shares allocated to the accounts of executive officers in the ESOP. Includes 2,500 shares pledged by directors and executive officers as security. Excludes 1,335,124 shares held by the ESOP which have not been allocated to participant accounts. The non-employee directors of the Bank serve as the ESOP trustees and vote such shares as directed by the ESOP Committee, subject to such trustees' fiduciary duties.



**PROPOSAL I – ELECTION OF DIRECTORS**

The Company's Bylaws require that the Board of Directors be divided into three classes, as nearly equal in number as possible, each class to serve for a three-year period, with approximately one-third of the directors elected each year. The Board of Directors currently consists of nine members. Three directors will be elected at the Annual Meeting to serve for a three-year term and until their successors have been elected and qualified.

Theodore J. Aanensen, Joseph P. Mazza and John F. Regan have been nominated by the Board of Directors for election to a three-year term to expire in 2011. Each of the nominees has consented to be named in the proxy statement and agreed to serve, if elected. It is intended that proxies solicited by the Board of Directors will, unless otherwise specified, be voted for the election of Mr. Aanensen, Dr. Mazza and Mr. Regan. If any of the nominees are unable to serve, the shares represented by all valid proxies will be voted for the election of such substitute as the Board of Directors may recommend. At this time, the Board of Directors knows of no reason why any of the nominees might be unavailable to serve.

The following table sets forth for each nominee, continuing director and executive officer of the Company and the Bank: name, positions with the Company, age, year of election or appointment, expiration of current term if a director, and beneficial ownership of the Common Stock as of the Record Date.

| <b>Name and Positions with Company</b>                                    | <b>Age as of<br/>June 30,<br/>2008</b> | <b>Year First<br/>Elected or<br/>Appointed<sup>(1)</sup></b> | <b>Current<br/>Term to<br/>Expire</b> | <b>Number<br/>of Shares<br/>Beneficially<br/>Owned as of<br/>Record Date<sup>(2)</sup></b> |
|---------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------|---------------------------------------|--------------------------------------------------------------------------------------------|
| <b>BOARD NOMINEES FOR TERM TO EXPIRE IN 2011</b>                          |                                        |                                                              |                                       |                                                                                            |
| Theodore J. Aanensen<br><i>Director</i>                                   | 63                                     | 1986                                                         | 2008                                  | 137,841 <sup>(4)</sup>                                                                     |
| Joseph P. Mazza<br><i>Director</i>                                        | 64                                     | 1993                                                         | 2008                                  | 164,770 <sup>(4)</sup>                                                                     |
| John F. Regan<br><i>Director</i>                                          | 63                                     | 1999                                                         | 2008                                  | 183,504 <sup>(4)</sup>                                                                     |
| <b>DIRECTORS CONTINUING IN OFFICE</b>                                     |                                        |                                                              |                                       |                                                                                            |
| Leopold W. Montanaro<br><i>Director</i>                                   | 68                                     | 2003                                                         | 2009                                  | 187,270 <sup>(4)</sup>                                                                     |
| John N. Hopkins<br><i>President, Chief Executive Officer and Director</i> | 61                                     | 1994                                                         | 2009                                  | 398,511 <sup>(3)</sup>                                                                     |
| Henry S. Parow<br><i>Director</i>                                         | 85                                     | 1976                                                         | 2009                                  | 187,270 <sup>(4)</sup>                                                                     |
| John J. Mazur, Jr.<br><i>Chairman of the Board, Director</i>              | 54                                     | 1996                                                         | 2010                                  | 183,545 <sup>(4)</sup>                                                                     |
| Matthew T. McClane<br><i>Director</i>                                     | 71                                     | 1994                                                         | 2010                                  | 124,270 <sup>(4)</sup>                                                                     |
| John F. McGovern<br><i>Director</i>                                       | 47                                     | 1999                                                         | 2010                                  | 163,927 <sup>(4)</sup>                                                                     |



| Name and Positions with Company                                                                  | Age as of<br>June 30, 2008 | Year First<br>Elected or<br>Appointed <sup>(1)</sup> | Current<br>Term to<br>Expire | Number<br>of Shares<br>Beneficially<br>Owned as of<br>Record Date <sup>(2)</sup> |
|--------------------------------------------------------------------------------------------------|----------------------------|------------------------------------------------------|------------------------------|----------------------------------------------------------------------------------|
| <b>EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS</b>                                                  |                            |                                                      |                              |                                                                                  |
| Albert E. Gossweiler<br><i>Senior Vice President, Chief Investment<br/>Officer and Treasurer</i> | 60                         | 1999                                                 | N/A                          | 144,535 <sup>(5)</sup>                                                           |
| William C. Ledgerwood<br><i>Senior Vice President, Chief Financial Officer</i>                   | 55                         | 2002                                                 | N/A                          | 106,320 <sup>(5)</sup>                                                           |
| Sharon Jones<br><i>Senior Vice President, Corporate Secretary</i>                                | 54                         | 1997                                                 | N/A                          | 94,512 <sup>(5)</sup>                                                            |
| Patrick M. Joyce<br><i>Senior Vice President, Chief Lending Officer</i>                          | 43                         | 2002                                                 | N/A                          | 69,807 <sup>(5)</sup>                                                            |
| Erika Parisi<br><i>Senior Vice President, Branch Administrator</i>                               | 43                         | 2002                                                 | N/A                          | 100,671 <sup>(5)</sup>                                                           |
| Craig L. Montanaro<br><i>Senior Vice President, Director of<br/>Strategic Planning</i>           | 42                         | 2003                                                 | N/A                          | 137,721 <sup>(5)</sup>                                                           |

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- (1) Refers to the year the individual first became a director or officer of either the Company or the Bank. All current directors except Mr. Leopold Montanaro who joined the Board in 2003 became directors of the Company on its incorporation in 2001.
- (2) Beneficial ownership includes shares of common stock held directly as well as shares held by spouses or minor children, in trust, and other indirect beneficial ownership. Includes 2,500 shares pledged by Mr. Craig Montanaro. Each director and executive officer beneficially owned less than 1.0% of shares outstanding.
- (3) Includes 240,000 shares which may be acquired pursuant to the exercise of options.
- (4) Includes 80,193 shares which may be acquired pursuant to the exercise of options and 10,692 shares of restricted stock scheduled to vest within 60 days of Record Date.
- (5) Includes 56,000 shares which may be acquired pursuant to the exercise of options.

The business experience of the directors and executive officers of the Company and the Bank is set forth below. Except as otherwise indicated, each has held his or her present position for at least the past five years.

**Theodore J. Aanensen** is an owner and president of Aanensen's, a luxury home remodeling and custom cabinetry company established in Kearny in 1951. A graduate of Upsala College in 1966, he has been president of Aanensen's since 1982. He served as Chairman of the Board of Kearny Federal Savings Bank from January 19, 2000 through January 18, 2004 and as Chairman of the Board of Kearny Financial Corp. and Kearny MHC from March 30, 2001 through January 18, 2004.

**Joseph P. Mazza** is a graduate of Seton Hall University and the University of Pennsylvania. He is a self-employed dentist practicing in Rutherford, New Jersey, since 1971. He also serves on the Board of the Rutherford Senior Citizens Center.



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**John F. Regan** has been the majority shareholder and president of two automobile sales and service companies, DeMassi Pontiac, Buick and GMC, located in Riverdale, New Jersey and Regan Pontiac, Buick and GMC, located in Long Island City, New York since 1995.

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**Leopold W. Montanaro** is retired and was the chairman, president and chief executive officer of West Essex Bancorp, Inc. and West Essex Bank, located in Caldwell, New Jersey, until such bank was acquired by Kearny Financial Corp. on July 1, 2003. He was employed by West Essex Bank from 1972 until the completion of the merger with Kearny Federal Savings Bank. He serves as a director of Kearny Federal Savings Bank, Kearny Financial Corp. and Kearny MHC. He is the father of Craig L. Montanaro, Senior Vice President and Director of Strategic Planning for Kearny Federal Savings Bank and Kearny Financial Corp.

**John N. Hopkins** became president and chief executive officer of Kearny MHC, Kearny Financial Corp. and Kearny Federal Savings Bank in 2002 and served the Bank previously as executive vice president from 1994 to 2002 and as chief financial officer from 1994 to 1999. He has been employed by Kearny Federal Savings Bank since 1975. He is a graduate of Fairleigh Dickinson University. Active in professional and charitable organizations, he serves on the board of directors and several committees of the New Jersey League of Community Bankers; the board of directors of the Thrift Institutions Community Investment Corp. of NJ (TICIC), the board of trustees of Clara Maass Medical Center, the board of trustees of the Saint Barnabas Health Care System and the Rutherford Senior Citizens Center (55 Kip Center).

**Henry S. Parow** is a graduate of Seton Hall University. He is a licensed funeral director in the state of New Jersey since 1950. He is the original owner, director and manager of the Parow Funeral Home, North Arlington, New Jersey, since 1957. He currently is on the Board of Directors of Kearny Federal Savings Bank, Kearny MHC and Kearny Financial Corp.

**John J. Mazur, Jr.** is the sole owner and president/chief executive officer of Elegant Desserts, a wholesale bakery located in Lyndhurst, New Jersey, that sells gourmet cakes nationally and on QVC. A 1976 graduate of Villanova University, he opened this business in 1994. From 1976 to 2003, he was also a partner and general manager of Mazur's Bakery, in Lyndhurst, New Jersey, that operated from 1936 until it was sold in 2003. He became chairman of the Board of Directors of Kearny in January 2004. He also serves on the Board of the Meadowlands Chamber of Commerce and is Chairman of the Council of Regents for Felician College.

**Matthew T. McClane** retired in 2002. He was appointed as president and chief executive officer of Kearny Federal Savings Bank in 1994 and president and chief executive officer of Kearny MHC and Kearny Financial Corp. in 2001. He was employed by Kearny Federal Savings Bank from 1967 to 2002.

**John F. McGovern** has worked as a self-employed Certified Public Accountant and Certified Financial Planner since 1984 and holds the designation of Personal Financial Specialist from the American Institute of Certified Public Accountants. Since 2001, he has been a federally registered investment advisor. Mr. McGovern is also the owner of McGovern Monuments, Inc. a monument sales and lettering company located in North Arlington, New Jersey that has been in business since 1924.

**Albert E. Gossweiler** became senior vice president, chief investment officer and treasurer of Kearny Federal Savings Bank and Kearny Financial Corp. in December 2006. Previously he had served as senior vice president and chief financial officer of Kearny Federal Savings Bank since 1999 and of Kearny Financial Corp. upon its formation in 2001. He was previously employed by South Bergen Savings Bank and joined Kearny when such bank was acquired by Kearny Federal Savings Bank in 1999. He was employed by South Bergen Savings Bank from 1981 until the completion of the merger with Kearny Federal Savings Bank.

**William C. Ledgerwood** became senior vice president and chief financial officer of Kearny Federal Savings Bank and Kearny Financial Corp. in December 2006. Previously he had served as senior



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vice president, treasurer and chief accounting officer of Kearny Federal Savings Bank and Kearny Financial Corp. since 2002 and has been employed by Kearny Federal Savings Bank since 1998. He was previously the chief financial officer for The Jersey Bank for Savings, which opened as a de novo stock bank in 1989 and was acquired by Interchange Bank in 1998.

**Sharon Jones** is the corporate secretary of Kearny MHC, Kearny Financial Corp. and Kearny Federal Savings Bank. She was appointed to the office of corporate secretary in 1997 and became a senior vice president in 2002. She has been employed by Kearny Federal Savings Bank since 1972.

**Patrick M. Joyce** became the senior vice president and chief lending officer of Kearny Federal Savings Bank in 2002 and was previously vice president of loan originations from 1999 to 2002. He was formerly employed by South Bergen Savings Bank as an assistant corporate secretary and as a loan originator starting in 1989. He joined Kearny when South Bergen Savings Bank was acquired by Kearny Federal Savings Bank in 1999 and was employed by such bank from 1985 until the completion of the merger with Kearny Federal Savings Bank.

**Erika Parisi** has been the senior vice president and branch administrator of Kearny Federal Savings Bank since 2002 and was previously a vice president and branch administrator from 1999 to 2002. She was formerly employed by South Bergen Savings Bank as a vice president and branch administrator and joined Kearny when that bank was acquired by Kearny Federal Savings Bank in 1999. She had been employed by South Bergen Savings Bank from 1991 until the completion of the merger with Kearny Federal Savings Bank.

**Craig L. Montanaro** became Senior Vice President and Director of Strategic Planning for Kearny Federal Savings Bank and Kearny Financial Corp. in 2005 and was previously a vice president and regional branch administrator from 2003 to 2004. He was formerly employed by West Essex Bank as senior vice president and chief operating officer and joined Kearny when that bank was acquired by Kearny Federal Savings Bank in 2003. He had been employed by West Essex Bank from 1988 until the completion of the merger with Kearny Federal Savings Bank.

### CORPORATE GOVERNANCE

#### Related Party Transactions

Since the beginning of the last fiscal year, no directors, officers or their immediate family members were engaged in transactions with the Company or any subsidiary involving more than \$120,000 (other than through loans with the Bank).

The Bank makes loans to its officers, directors and employees in the ordinary course of business. Kearny Federal Savings Bank has adopted written policies governing these loans. In accordance with federal regulations, all such loans or extensions of credit must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and must not involve or present other unfavorable features. All such loans are approved in advance by the board of directors with any interested director abstaining. Loans to insiders are monitored on a monthly basis to ensure continued compliance with the Bank's lending policies.



## Code of Ethics

Kearny Financial Corp. and Kearny Federal Savings Bank have adopted a Code of Ethics, available on our website at [www.kearnyfederalsavings.com](http://www.kearnyfederalsavings.com), which applies to all directors, officers and employees of the Company and the Bank. It is expected that all directors, officers and employees act, in all matters, in accordance with the highest standards of personal and professional conduct in all aspects of their employment and association with the Company and the Bank, to comply with all applicable laws, rules and regulations and to adhere to all policies and procedures adopted by the Company and the Bank.

## Director Independence

The Board of Directors has determined that Directors Aanensen, Mazza, Regan, Parow, Mazur, McClane and McGovern are independent directors within the meaning of the rules of The Nasdaq Stock Market. In making this determination, the Board of Directors considered various deposit and loan relationships that the independent directors have with the Bank but determined that these relationships did not impair their independence.

## Operation of the Board of Directors

During the fiscal year ended June 30, 2008, the boards of directors of Kearny MHC, Kearny Financial Corp. and Kearny Federal Savings Bank held seven meetings, nine meetings, and fifteen meetings, respectively. No director attended fewer than 75% of the total meetings of the Board of Directors and committees on which he served during the year ended June 30, 2008. The Board maintains an Audit & Compliance Committee, a Budget Committee, an Executive Committee, an Interest Rate Risk Management Committee, an Asset Quality Committee, a Nominating Committee and a Compensation Committee, as well as a Building & Grounds Committee, a Governance Committee, a Planning & Marketing Committee, an Electronic Data Processing Committee and a Benefits Equalization Plan Administrative Committee. Also during the fiscal year ended June 30, 2008, all independent directors attended two executive sessions of Kearny Financial Corp.

**Compensation Committee.** This committee consists of Directors Aanensen (Chair), Mazur, Mazza and Parow. Each member of the Compensation Committee is independent in accordance with the listing standards of The Nasdaq Stock Market. The Board of Directors has adopted a written charter for the Compensation Committee which is available on our website at [www.kearnyfederalsavings.com](http://www.kearnyfederalsavings.com). The responsibilities of this committee include appraisal of the performance of officers, administration of management compensation plans and review of directors' compensation. This committee reviews industry compensation surveys and reviews the recommendations of management on employee compensation matters. This committee meets as needed and met six times during the year ended June 30, 2008.

**Audit & Compliance Committee.** This committee consists of Directors McGovern (Chair), Mazur, Mazza and Regan. Each member of the Audit Committee is independent in accordance with the listing standards of The Nasdaq Stock Market, including those standards specifically applicable to audit committee members. The Board of Directors has determined that John F. McGovern is an audit committee financial expert within the meaning of the rules of the Securities and Exchange Commission. This committee's responsibilities include oversight of the internal audit and regulatory compliance activities and monitoring management and employee compliance with the Board's audit policies and applicable laws and regulations. This committee is directly responsible for the appointment, compensation, retention and oversight of the work of the external auditors. The Board of Directors has adopted a written charter for the Audit Committee, which governs its composition, responsibilities and



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operation. A copy of this charter is available on our website at [www.kearnyfederalsavings.com](http://www.kearnyfederalsavings.com). This committee meets monthly and also periodically with the internal auditor, the compliance officer and the external auditors and met twelve times during the year ended June 30, 2008.

**Report of the Audit Committee.** For the fiscal year ended June 30, 2008, the Audit Committee: (i) reviewed and discussed the Company's audited financial statements with management, (ii) discussed with the Company's independent auditor, Beard Miller Company LLP ("Beard Miller"), all matters required to be discussed under Statement on Auditing Standards No. 61, and (iii) received from Beard Miller disclosures regarding the independence of Beard Miller as required by Independence Standards Board Standard No. 1 and discussed with Beard Miller its independence. Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008.

*Audit Committee:* John F. McGovern (Chair),  
John J. Mazur, Jr., Joseph P. Mazza, John F. Regan

**Nominating Committee.** This committee consists of Directors McClane, McGovern, Mazur and Parow and is responsible for the annual selection of nominees for election as directors. Each member of the Nominating Committee is independent in accordance with the listing standards of The Nasdaq Stock Market. This committee operates under a written charter, which governs its composition, responsibilities and operations. A copy of this charter is available on our website at [www.kearnyfederalsavings.com](http://www.kearnyfederalsavings.com). The committee meets as needed and met one time during the year ended June 30, 2008.

The Company does not pay fees to any third party to identify or evaluate or assist in identifying or evaluating potential nominees. The process for identifying and evaluating potential nominees of the Board includes soliciting recommendations from directors and officers of the Company and the Bank. Additionally, the Board may consider persons recommended by shareholders of the Company in selecting nominees of the Board for election as directors. The manner of evaluation for all potential nominees is the same.

The charter states that the Committee will seek nominees with excellent decision-making ability, business experience, personal integrity and a favorable reputation, who are knowledgeable about the business activities and market areas in which the Company and its subsidiaries engage.

The Committee's process for identifying and evaluating potential nominees will include soliciting recommendations from directors and officers of the Company and the Bank. Additionally, the Committee will consider persons recommended by shareholders of the Company in selecting the individuals the Committee recommends to the Board for selection as the Board's nominees. The Committee will evaluate persons recommended by directors or officers of the Company or the Bank and persons recommended by shareholders in the same manner.

To be considered in the Committee's selection of individuals the Committee recommends to the Board for selection as the Board's nominees, recommendations from shareholders must be received by the Company in writing by at least 120 days prior to the date the proxy statement for the previous year's annual meeting was first distributed to shareholders. Recommendations should identify the submitting shareholder, the person recommended for consideration and the reasons the submitting shareholder believes such person should be considered.

The Company's Bylaws provide that any shareholder wishing to make a nomination for the election of directors or a proposal for new business at a meeting of shareholders must send written notice





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to the Secretary of the Company at least five days before the date of the annual meeting. The bylaws further provide that if a shareholder wishing to make a nomination or a proposal for new business does not follow the prescribed procedures, the proposal will not be considered until an adjourned, special, or annual meeting of the shareholders taking place thirty days or more thereafter. Management believes that it is in the best interests of the Company and its shareholders to provide enough time for management to disclose to shareholders information about any competing slate of director nominations. This advance notice requirement may also give management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations if management thinks it is in the best interest of shareholders generally. Similarly, adequate advance notice of shareholder proposals will give management time to study such proposals and to determine whether to recommend to the shareholders that such proposals be adopted.

### COMPENSATION DISCUSSION AND ANALYSIS

#### General Policy

The objective of the Company's executive compensation program is to offer competitive cash and equity compensation and benefit plans that will attract, motivate and retain qualified and talented executives who will help facilitate improved financial performance and earnings growth in order to enhance long-term value for the Company's shareholders. The Company's executive compensation program is intended to align the interests of its executive officers with shareholders by rewarding performance measured against the approved annual corporate budget, and by rewarding strong executive leadership and superior individual performance. Compensation levels for executives are established after considering factors that include, but are not limited to, the financial performance of the Company and competitive labor market conditions. Furthermore, qualitative factors such as overall job performance, leadership, teamwork, and community involvement are considered in compensation deliberations.

#### Components of Compensation

In establishing and evaluating executive compensation, the Compensation Committee concentrates on several fundamental components: base salary, bonus compensation, retirement income opportunity and equity based compensation.

**Base Salary:** Salary levels for senior executives and other officers are reviewed by the Compensation Committee on an annual basis. Salary levels reflect an individual's job responsibilities, career experience and job performance and the Compensation Committee's analysis of competitive marketplace conditions for similar positions.

**Bonus Compensation:** We seek to maximize the achievement of the Company's and the Bank's business objectives by providing bonus compensation to those individuals who play an instrumental role in defining and then achieving or exceeding specific previously determined organizational business objectives of the Company. Although the Compensation Committee's decisions are discretionary, the general factors that were used to determine bonuses were the individual's contribution to the Company's and the Bank's achievement of its goals as detailed in its business plan and the annual operating budget since the executive's last evaluation and the demonstrated capacity to adapt to changing business needs. No particular weightings of these factors were used to calculate bonuses; however, the Compensation Committee has placed increased emphasis during the 2008 fiscal year in awarding bonuses for fiscal year 2007 to the executive officers based upon actual Company performance achieved as detailed in the annual operating budget, including earnings growth.



**Retirement Income Opportunity:** Another component of the executive compensation strategy of the Company and the Bank is retirement income opportunity. Presently, such retirement income opportunity involves the Bank's defined benefit pension plan, the Benefits Equalization Plan related to the defined benefit plan (each of which have been frozen as of July 1, 2007 so that future service or salary changes will not increase retirement benefits), the Bank's 401(k) plan and the Bank's Employee Stock Ownership Plan ("ESOP") and related ESOP Benefits Equalization Plan. Such retirement income programs provide a significant inducement for retention of high-performing executives.

**Equity Based Compensation:** In October of 2005, the Company's shareholders approved the Company's Stock Compensation and Incentive Plan. Through this plan, executives may be awarded stock options and restricted stock awards that will offer them the possibility of future compensation opportunity depending on the executive's continued employment with the Company and the Bank and the long-term price appreciation of the Company's common stock. During the fiscal year ended June 30, 2006, awards were made to the Company's chief executive officer and other executive officers. A determination related to such awards of stock options and stock awards was made by the Committee after reviewing the Company's other compensation programs for its senior officers and the stock compensation awards made by other financial institutions having completed a stock offering of at least \$50 million within the prior three years.

The long-term value of these equity awards are reviewed annually by the Compensation Committee in conjunction with the value of the other components of compensation in order to evaluate the overall value of each compensation component to the executive officers. Although the stock options previously awarded to the executive officers do not currently represent a significant component of the overall compensation program, it is anticipated that such options will provide meaningful compensation opportunity in the longer term in conjunction with long-term increases in shareholder value as measured by anticipated future appreciation in the market value of the Company's stock. Therefore, it is anticipated that such equity awards will provide the executive officers with long term performance and retention incentives consistent with the Company's objective of enhancing long-term value for the Company's shareholders.

**Other Important Components of the Compensation Program:** In addition to these components of the compensation program, the Company also maintains employment agreements, including change in control severance protection for the executive officers, insurance programs and other benefit programs, and perquisites and other personal benefits, all consistent with industry practices in our market areas. All of these components of the compensation program are intended to maintain a competitive compensation program necessary to reward our executive officers for achieving our corporate goals and objectives and to provide the necessary job security and protections so that they may focus on achieving improved financial performance for the Company and its shareholders and to permit us to recruit new professional staff from time to time as necessary. Compensation payable to the executive officers related to any change in control transaction of the Company is anticipated to be tax-deductible payments in accordance with Section 280G of the Internal Revenue Code.

#### **Administration of Compensation Program**

The Compensation Committee of the Company is responsible for the administration of the compensation program of the President and Chief Executive Officer and the other executive officers. The Compensation Committee meets periodically throughout the fiscal year, including November of each year to determine annual salary adjustments, cash bonus and stock option awards for the executive officers. The Company does not have a formal policy addressing each specific type of compensation. The Committee does consider a variety of factors as it evaluates compensation for each officer, including:



- Overall company financial performance as compared to budget and prior year's performance;
- Bank regulatory compliance and examination results;
- Bank performance metrics compared to peers, including return on assets, return on equity, charge-offs, level of non-performing loans and efficiency ratio;
- The individual achievements of each officer in their respective areas of responsibility; and
- The market competitiveness of the Company's compensation and benefits programs applicable to its executive management.

Annual salary increases are generally made in amounts deemed necessary to maintain the competitiveness of the salary structure. Absent a material increase in duties or a significant change in the economic or competitive environment, salaries are not increased materially from year to year.

Mr. Hopkins meets with the Compensation Committee to discuss the performance evaluations of each of the executive officers, excluding himself, and presents his recommendations. Mr. Hopkins is not present for any discussion involving his personal compensation.

The Compensation Committee establishes specific bonus amounts for each executive officer based on Company performance and individual performance. The Company has never been required to materially adjust or restate its reported earnings, and it does not have a policy regarding the adjustment or recovery of bonuses in such an event.

The Board of Directors believes that equity-based compensation is important in aligning the interests of management with those of shareholders and has established the Kearny Federal Savings Bank Employee Stock Ownership Plan and the 2005 Stock Compensation and Incentive Plan to help facilitate this objective. Although each of the executive officers has a substantial personal investment in the Company's Common Stock, the Board of Directors does not have formal equity ownership requirements or guidelines for executive officers.

#### **Committee Review of Executive Compensation**

In making its recommendations regarding executive compensation at calendar year-end 2007, the Compensation Committee considered various factors, including the financial condition and performance of the Company compared to the Company's operating budget, the current economic conditions and interest rate environment, and the executive officers efforts to generate revenues and implement cost reduction strategies. The Compensation Committee also considers the individual performance of the executive officers, advances in strategic direction and regulatory compliance.

The Committee utilizes publicly available information to gather information related to compensation practices for executive officers of financial services companies with assets of between \$1.5 billion and \$4.0 billion located in New Jersey and in the adjacent states of New York and Pennsylvania within approximately 100 miles of Kearny, New Jersey. The Committee has complete access to all necessary Company personnel records, financial reports, and other data. The Compensation Committee reviews such data collected in order to determine market competitive levels of compensation as well as

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reviewing internal pay levels within the executive group. The Compensation Committee makes decisions regarding each individual executive's target total compensation opportunity with consideration of the goal of motivating and retaining an experienced and effective management team. No specific benchmarking of compensation to a predetermined peer group of companies is utilized when determining compensation levels for its executive officers. The comparable companies are reviewed annually and may change from year-to-year.

The following summarizes the Compensation Committee's involvement in the compensation decisions and policies adopted by the Bank and the Company for executive officers generally, and for the President and CEO, John N. Hopkins, in particular, during the fiscal year ended June 30, 2008. The Committee is responsible for conducting periodic reviews of the executive compensation of senior executives, including President and Chief Executive Officer John N. Hopkins. The Committee determines salary levels for senior executives and other officers and amounts of cash bonuses to be distributed to those individuals, if and as appropriate. Awards to senior management and key employees under the Company's 2005 Stock Compensation and Incentive Plan are determined by the Compensation Committee.

The Compensation Committee met during November and December 2007 and approved salary increases for the executive officers effective as of January 1, 2008, which increases were lower than prior year increases for most of the executive officers, and a 5% cash bonus for each executive officer (other than the CEO) to be paid in December 2007. Such cash bonuses awarded in December 2007 related to performance for the fiscal year ended June 30, 2007, and reflect a reduction in the bonus compensation and bonus percentage awarded as compared to the prior fiscal year.

### **Compensation of the Chief Executive Officer**

In assessing appropriate types and amounts of compensation for the CEO, the Board evaluates both corporate and individual performance. Individual factors include the CEO's initiation and implementation of successful business strategies; maintenance of an effective management team; and various personal qualities, including leadership, commitment, and professional and community standing.

In November 2007, the Compensation Committee reviewed the Company's fiscal year 2007 operating results, as well as the job performance of CEO, John N. Hopkins. The Company generated earnings and business growth short of the Company's budget and operating plan. The Compensation Committee believes that Mr. Hopkins has made significant contributions to the ongoing success of the Company and the Bank, including his efforts in managing the Company's executive team. Such efforts by the CEO continue to set the stage for future earnings growth. The Compensation Committee approved an increase in salary for the CEO from \$630,000 to \$655,000 effective January 1, 2008 for the fiscal year 2007 performance. Consistent with the overall cost-cutting efforts of the Company during the 2008 fiscal year, Mr. Hopkins elected to forgo receipt of any bonus payment in December 2007. Total salary and bonus paid to the CEO for the fiscal year ended June 30, 2008 is \$642,500 (or 8.865%) less than that paid for the 2007 fiscal year, reflecting the lack of Company earnings growth for the 2007 fiscal year.

### **Tax Deductibility of Executive Compensation**

Under Section 162(m) of the Internal Revenue Code, companies are subject to limits on the deductibility of executive compensation. Deductible compensation is limited to \$1 million per year for the CEO and the three most highly paid executive officers listed in the summary compensation table. Compensation that is "performance-based" under the Internal Revenue Code's definition is exempt from this limit. Stock option grants by the Company are intended to qualify as performance-based compensation.





The Compensation Committee does not have a formal policy with respect to the payment of compensation in excess of the deduction limit. The Compensation Committee's practice is to structure compensation programs offered to the executive officers with a view to providing incentives necessary to attract, retain and reward its executive officers. In most instances, such compensation satisfies the requirements for tax-deductibility. The Committee may determine to authorize payments, all or part of which would be nondeductible for federal tax purposes. Approximately \$384,832 of the restricted stock awards that were earned by the CEO for the fiscal year ended June 30, 2008 will be a non-deductible expense for tax purposes in accordance with Section 162(m) of the Code. It is anticipated that similar amounts will exceed the deductibility limits for fiscal years 2009 through 2011.

### **Compensation Committee Report**

Pursuant to rules and regulations of the Securities and Exchange Commission, this Compensation Committee Report shall not be deemed incorporated by reference to any general statement incorporating by reference this Proxy Statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and otherwise shall not be deemed "soliciting material" or to be "filed" with the Securities and Exchange Commission subject to Regulation 14A or 14C of the Securities and Exchange Commission or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussion, the Compensation Committee recommended to the board of directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

#### *The Compensation Committee*

Theodore J. Aanensen (Chair), John J. Mazur, Jr., Joseph P. Mazza and Henry S. Parow

### **Compensation Committee Interlocks and Insider Participation**

The Compensation Committee consists of Directors Aanensen, Mazur, Mazza and Parow. Members of the Compensation Committee are non-employee directors of the Company and the Bank. No member of the Committee or any other director is, or was during fiscal year 2008, an executive officer of another company whose board of directors has a comparable committee on which one of the Company's executive officers serves. None of the executive officers of the Company is, or was during fiscal year 2008, a member of the board of directors or a comparable compensation committee of a company of which any of the directors of the Company is an executive officer.



## EXECUTIVE COMPENSATION

**Summary Compensation Table.** The following table sets forth the total compensation of the principal executive officer, the principal financial officer and the three other most highly compensated executive officers of the Company and the Bank for the fiscal years ended June 30, 2008 and 2007.

| Name and Principal Position                                                                  | Year | Salary     | Bonus     | Stock Awards <sup>(1)</sup> | Options Awards <sup>(2)</sup> | Change in                    | All Other  | Compensation <sup>(4)</sup> | Total |
|----------------------------------------------------------------------------------------------|------|------------|-----------|-----------------------------|-------------------------------|------------------------------|------------|-----------------------------|-------|
|                                                                                              |      |            |           |                             |                               | Pension Value <sup>(3)</sup> |            |                             |       |
| John N. Hopkins<br><i>President and Chief Executive Officer</i>                              | 2008 | \$ 655,000 | \$ 0      | \$ 740,400                  | \$ 354,000                    | \$ 92,000                    | \$ 226,255 | \$ 2,067,655                |       |
|                                                                                              | 2007 | 615,000    | 90,000    | 739,800                     | 354,000                       | 657,000                      | 192,133    | 2,647,933                   |       |
| Albert E. Gossweiler<br><i>Senior Vice President, Chief Investment Officer and Treasurer</i> | 2008 | \$ 234,750 | \$ 11,288 | \$ 209,780                  | \$ 82,600                     | \$ 18,000                    | \$ 72,057  | \$ 628,475                  |       |
|                                                                                              | 2007 | 220,375    | 10,750    | 209,610                     | 82,600                        | 56,000                       | 63,410     | 642,745                     |       |
| Patrick M. Joyce<br><i>Senior Vice President and Chief Financial Officer</i>                 | 2008 | \$ 234,750 | \$ 11,288 | \$ 209,780                  | \$ 82,600                     | \$ 4,000                     | \$ 68,145  | \$ 610,563                  |       |
|                                                                                              | 2007 | 220,375    | 21,500    | 209,610                     | 82,600                        | 18,000                       | 60,517     | 612,602                     |       |
| William C. Ledgerwood<br><i>Senior Vice President and Chief Financial Officer</i>            | 2008 | \$ 234,750 | \$ 11,288 | \$ 209,780                  | \$ 82,600                     | \$ 13,000                    | \$ 69,911  | \$ 621,329                  |       |
|                                                                                              | 2007 | 220,375    | 21,500    | 209,610                     | 82,600                        | 45,000                       | 62,844     | 641,929                     |       |
| Erika Parisi<br><i>Senior Vice President and Branch Administrator</i>                        | 2008 | \$ 234,750 | \$ 9,551  | \$ 209,780                  | \$ 82,600                     | \$ 5,000                     | \$ 65,960  | \$ 607,641                  |       |
|                                                                                              | 2007 | 185,644    | 16,125    | 209,610                     | 82,600                        | 19,000                       | 61,804     | 574,783                     |       |

- (1) Represents the compensation cost recognized by the Company for fiscal 2008 in connection with restricted stock awards granted to the individual, regardless of the year of grant and calculated in accordance with Statement of Financial Accounting Standard ("SFAS") 123R for financial statement purposes. For more information concerning the assumptions used for these calculations, please see Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders. This amount does not reflect dividends paid on unvested restricted stock, which is included under "All Other Compensation."
- (2) Represents the compensation cost recognized by the Company for fiscal 2008 in connection with options to purchase shares of Company common stock granted to the individual, regardless of the year of grant and calculated in accordance with SFAS 123R for financial statement purposes. For more information concerning the assumptions used for these calculations, please see Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders.
- (3) Includes for each individual the increase (if any) for the fiscal year in the present value of the individual's accrued benefit (whether not vested) under each tax-qualified and non-qualified actuarial or defined benefit plan calculated by comparing the present value of each individual's accrued benefit under each such plan in accordance with SFAS 87 as of the plan's measurement date in such fiscal year to the present value of the individual's accrued benefit as of the plan's measurement date in

the prior fiscal year.

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(4) For 2008, all other compensation included the following:

| Name                  | 401(k) Plan  | Bank Owned     | Allocation of    | Long-Term | Accrued      |           | Country   |
|-----------------------|--------------|----------------|------------------|-----------|--------------|-----------|-----------|
|                       | Employer     | Life Insurance | Shares Under the | Care      | Dividends on | Unvested  |           |
|                       | Contribution | (taxable)      | Ownership Plan   | Premium   | Awards       | Auto      | Club Dues |
| John N. Hopkins       | \$ 6,836     | \$ 3,559       | \$ 80,030 *      | \$ 4,475  | \$ 94,755    | \$ 21,291 | \$ 15,309 |
| Albert E. Gossweiler  | \$ 5,389     | \$ 1,407       | \$ 33,891        | \$ 4,264  | \$ 26,847    | \$ 259    | \$ 0      |
| Patrick M. Joyce      | \$ 4,584     | \$ 341         | \$ 33,891        | \$ 1,936  | \$ 26,847    | \$ 546    | \$ 0      |
| William C. Ledgerwood | \$ 4,824     | \$ 932         | \$ 33,891        | \$ 3,417  | \$ 26,847    | \$ 0      | \$ 0      |
| Erika Parisi          | \$ 6,918     | \$ 340         | \$ 29,788        | \$ 2,067  | \$ 26,847    | \$ 0      | \$ 0      |

\*For Mr. Hopkins, includes regular Employee Stock Ownership Plan Compensation of \$34,336 and compensation under the related ESOP Benefits Equalization Plan of \$45,694.

**Outstanding Equity Awards at Fiscal Year End.** The following table provides information regarding options and restricted stock held by the named officers as of June 30, 2008.

| Name                  | Number of Securities Underlying | Number of Securities Underlying | Price    | Option Expiration | Number of Shares or Units of Stocks That Have Not Vested <sup>(1)</sup> | Number of Shares or Units of Stock That Have Not Vested |
|-----------------------|---------------------------------|---------------------------------|----------|-------------------|-------------------------------------------------------------------------|---------------------------------------------------------|
|                       |                                 |                                 |          |                   |                                                                         |                                                         |
| John N. Hopkins       | 240,000                         | 360,000                         | \$ 12.71 | 12/5/2015         | 180,000                                                                 | \$ 1,980,000                                            |
| Albert E. Gossweiler  | 56,000                          | 84,000                          | \$ 12.71 | 12/5/2015         | 51,000                                                                  | \$ 561,000                                              |
| Patrick M. Joyce      | 56,000                          | 84,000                          | \$ 12.71 | 12/5/2015         | 51,000                                                                  | \$ 561,000                                              |
| William C. Ledgerwood | 56,000                          | 84,000                          | \$ 12.71 | 12/5/2015         | 51,000                                                                  | \$ 561,000                                              |
| Erika Parisi          | 56,000                          | 84,000                          | \$ 12.71 | 12/5/2015         | 51,000                                                                  | \$ 561,000                                              |

(1) Such awards were made on December 5, 2005 and vest at the rate of 20% per year, beginning on the one-year anniversary of the date of the award.

**Vesting of Stock Awards During the Last Fiscal Year.** The following table sets forth information regarding the vesting of restricted stock awards to the named officers during the fiscal year ended June 30, 2008. No stock options were exercised by the named officers during the fiscal year ended June 30, 2008.

| <b>Name</b>           | <b>Stock Awards</b>                                 |                                                    |
|-----------------------|-----------------------------------------------------|----------------------------------------------------|
|                       | <b>Number of<br/>Shares Acquired<br/>on Vesting</b> | <b>Value Realized<br/>on Vesting<sup>(1)</sup></b> |
| John N. Hopkins       | 60,000                                              | \$ 733,800                                         |
| Albert E. Gossweiler  | 17,000                                              | \$ 207,910                                         |
| Patrick M. Joyce      | 17,000                                              | \$ 207,910                                         |
| William C. Ledgerwood | 17,000                                              | \$ 207,910                                         |
| Erika Parisi          | 17,000                                              | \$ 207,910                                         |

(1) Based upon the fair market value of the stock on the date of vesting, December 5, 2007.

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**Pension Benefits.** The Bank is a participating employer in a multiple-employer pension plan sponsored by the Financial Institutions Retirement Fund (the "Pension Plan"). All full-time employees of the Bank are eligible to participate after one year of service and attainment of age 21. A qualifying employee becomes fully vested in the Pension Plan upon the earlier of completion of five years service or attainment of the normal retirement age of 65. The Pension Plan is intended to comply with the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Pension Plan provides for monthly payments to each participating employee at normal retirement age. A participant who is vested in the Pension Plan may take an early retirement and elect to receive a reduced monthly benefit beginning as early as age 45. The Pension Plan also provides for payments in the event of disability or death. The annual benefit amount upon retirement at age 65 equals 2% of the participant's highest five-year average salary times years of service. Benefits are payable in the form of a monthly retirement benefit and a death benefit or an alternative form that is actuarially equivalent. Effective July 1, 2007, the Bank "froze" all future enrollments and benefit accruals under its non-contributory defined benefit pension plan and related benefits equalization plan.

The Bank has adopted a Benefit Equalization Plan related to the Pension Plan. The purpose of this plan is to provide a pension benefit based upon the actual earnings of senior officers of the Bank in the event that their average annual earnings exceeds the permissible pensionable earnings level under the Pension Plan as required by the limitations of Sections 401(a)(17) and 415 of the Internal Revenue Code. The supplemental pension for such officers will reflect years in which earnings exceed the limits of Sections 401(a)(17) and 415 of the Internal Revenue Code with the supplemental benefit based upon the difference between their average earnings taking into effect this maximum pensionable earnings limitation and their average earnings without regard to such limitation, multiplied by 2% times their years of service at retirement. The benefits payment under the Benefit Equalization Plan for the Pension Plan will be in the form of an annual benefit payable for life and a death benefit. Effective July 1, 2007, the Bank "froze" all future enrollments and benefit accruals under its non-contributory defined benefit pension plan and related benefits equalization plan.

The following table provides information with respect to each defined benefit pension plan in which the named officers may receive payments or other benefits at, following, or in connection with retirement.

| Name                  | Plan Name   | Number of<br>Years<br>Credited<br>Service | Present<br>Value of<br>Accumulated<br>Benefit <sup>(1)</sup> | Payments<br>During Last<br>Fiscal Year |
|-----------------------|-------------|-------------------------------------------|--------------------------------------------------------------|----------------------------------------|
| John N. Hopkins       | Pension     | 32                                        | \$ 1,112,000                                                 | \$ 0                                   |
|                       | Pension BEP | 32                                        | \$ 1,583,000                                                 | \$ 0                                   |
| Albert E. Gossweiler  | Pension     | 8                                         | \$ 251,000                                                   | \$ 0                                   |
| William C. Ledgerwood | Pension     | 10                                        | \$ 174,000                                                   | \$ 0                                   |
| Patrick M. Joyce      | Pension     | 8                                         | \$ 60,000                                                    | \$ 0                                   |
| Erika Parisi          | Pension     | 8                                         | \$ 67,000                                                    | \$ 0                                   |

(1) Assumes retirement at normal retirement age as defined in the Plan. Present value is calculated using assumptions set forth in Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders.

**Nonqualified Deferred Compensation.** The Bank has implemented for its senior officers a Benefits Equalization Plan related to the Employee Stock Ownership Plan. This plan constitutes a defined contribution plan providing for deferral of compensation on a non tax-qualified basis. The purpose of this plan is to provide a benefit to senior officers of the Bank whose benefits under the Employee Stock





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Ownership Plan are limited by Sections 401(a)(17) and 415 of the Internal Revenue Code. For example, this plan provides participants with a benefit for any compensation that they may earn in excess of \$225,000 (as indexed) comparable to the benefits earned by all participants under the employee stock ownership plan for compensation earned below that level. The Bank may utilize a grantor trust in connection with this plan in order to set aside funds that ultimately may be used to pay benefits under the plan. The assets of the grantor trust will remain subject to the claims of the Bank’s general creditors in the event of insolvency, until paid to a participant following termination of employment according to the terms of the plan. Benefits under the plan will be paid in a lump sum in the form of shares of common stock of the Company to the extent permissible under applicable regulations, or in the alternative, benefits will be paid in cash based upon the value of such shares at the time that such benefit payments are made. The actual value of benefits under this plan and the annual financial reporting expense associated with this plan are calculated annually based upon a variety of factors, including the actual value of benefits for participants determined under the employee stock ownership plan each year, the applicable limitations under the Internal Revenue Code that are subject to adjustment annually and the compensation of each participant at such time. Generally, benefits under the plan are taxable to each participant at the time of receipt of such payment, and the Bank will recognize a tax-deductible compensation expense at such time.

The following table sets forth information with respect to the Benefits Equalization Plan related to the Employee Stock Ownership Plan. Mr. Hopkins is the only officer at present with an accumulated benefit under the Benefits Equalization Plan for the Employee Stock Ownership Plan.

| Name            | Executive Contributions in Last Fiscal Year | Registrant Contributions in Last Fiscal Year | Aggregate Earnings in Last Fiscal Year | Aggregate Withdrawals/ Distributions | Aggregate Balance at Fiscal Year End |
|-----------------|---------------------------------------------|----------------------------------------------|----------------------------------------|--------------------------------------|--------------------------------------|
| John N. Hopkins |                                             |                                              |                                        |                                      |                                      |
| ESOP BEP        | \$ 0                                        | \$45,588                                     | \$1,455                                | \$ 0                                 | \$125,457                            |

**Employment Agreements.** Effective June 30, 2008, the Company and the Bank entered into employment agreements with Mr. Hopkins, pursuant to which his minimum base salary is \$655,000. The salary payable under Mr. Hopkins’s agreement with the Company, however, is reduced dollar-for-dollar for any salary payments made by the Bank. Mr. Hopkins’ employment agreements have a term of three years, and may be extended on or before each anniversary of the effective date upon determination of the Board of Directors that his performance has met the requirements and standards of the Board. Pursuant to the terms of Mr. Hopkins’ employment agreement, he is generally entitled to participate in all discretionary bonuses, pension and other retirement benefit plans, welfare benefit plans and other equity, incentive and benefit plans and perquisites applicable to senior management of the Bank. Upon his termination of employment at any time on or after attainment of age 62 and until he becomes eligible for Medicare coverage, Mr. Hopkins is permitted to continue to participate, at the Bank’s expense, in the group medical plan sponsored by the Bank.

If the Bank terminates Mr. Hopkins without “cause” as defined in the agreement, he will be entitled to (i) a continuation of his salary from the date of termination through the remaining term of the agreement, and (ii) during the same period, the cost of obtaining health, life, disability and other benefits at levels substantially equal to those provided on the date of termination of employment. If Mr. Hopkins’ employment is terminated involuntarily during the term of the agreement following a “change in control” of the Company or the Bank, as defined in the agreement, or without cause within twenty-four months following a change in control, he will be paid an amount equal to 2.999 times his five-year average annual taxable cash compensation in a lump sum and be entitled to continued medical and dental coverage for the remainder of the term. Mr. Hopkins will also be entitled to the foregoing change in control severance payment and benefits if he voluntarily terminates his employment within 120 days following certain events during the term of the agreement following a change in control of the Company or the Bank. All

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amounts payable as severance in respect of a change in control will be reduced to the extent necessary such that neither the payments under the employment agreement, nor any other payments, constitute “excess parachute payments” under Section 280G of the Internal Revenue Code. If a change in control payment had been made under Mr. Hopkins agreement as of June 30, 2008, the payment would have equaled approximately \$2,841,961.

Effective June 30, 2008, the Bank also entered into amended and restated employment agreements with the other named officers (Senior Vice Presidents Gossweiler, Joyce, Ledgerwood and Parisi) providing for a minimum base salary of \$234,750 for each of these officers. These agreements each have a term of two years, and each provides for extension of the term on or before each anniversary of the effective date upon determination of the Board of Directors of the Bank that the officer’s performance has met its requirements and standards. Pursuant to the terms of the employment agreements, each officer is generally entitled to participate in all discretionary bonuses, pension and other retirement benefit plans, welfare benefit plans and other equity, incentive and benefit plans and perquisites applicable to senior management of the Bank. Upon termination of employment at any time on or after attainment of age 62, each of the officers and his or her dependent family is also permitted to continue to participate, at the Bank’s expense, in the group medical plan sponsored by the Bank until such time that the officer and his or her spouse become eligible for Medicare coverage. If terminated without cause, each of these officers will be entitled to (i) a continuation of his or her salary through the remaining term of the agreement, and (ii) during the same period, the cost of obtaining health, life, disability and other benefits at levels substantially equal to those provided on the date of termination of employment. As of June 30, 2008, the remaining term of the agreement for each of these officers was approximately two years, so a continuation of salary through the end of the term would equal \$469,750 for Sr. Vice Presidents Gossweiler, Joyce, Ledgerwood and Parisi if the officer were terminated without cause as of that date. The value of the continuation of health, life disability and other benefits through the end of the term would equal approximately \$46,100 based on the Bank’s current cost of providing those benefits.

If terminated involuntarily during the term of the agreement following a “change in control” of the Company or the Bank, as defined in the agreement, or without cause within twenty-four months following a change in control, each of these officers will be paid an amount equal to 2.0 times his or her most recent total annual compensation (including the value of deferred compensation and retirement plans) in a lump sum and be entitled to continued medical and dental coverage for the remainder of the term. Each of the officers will also be entitled to the foregoing change in control severance payment and benefits upon a voluntary termination of employment within 120 days following certain events during the term of the agreement following a change in control of the Company or the Bank. All amounts payable to any of the officers as severance in respect of a change in control will be reduced to the extent necessary such that neither the payments under the employment agreement, nor any other payments, constitute “excess parachute payments” under Section 280G of the Internal Revenue Code. If change in control payments had been made under these agreements as of June 30, 2008, Sr. Vice Presidents Gossweiler, Joyce, Ledgerwood and Parisi would each have received a payment of approximately \$906,842.

**Potential Payments Upon Resignation, Retirement or Termination.** The table below reflects the amount of compensation payable to each of the named officers in accordance with each individual’s employment agreement and other benefit plans and agreements as discussed in the preceding sections in the event of termination of such executive’s employment. The amounts shown assume that such termination was effective as of June 30, 2008, and thus includes amounts earned through such time and are estimates of the amounts which would be paid out to the executives upon their termination. The amounts shown relating to unvested stock options and stock awards are based on the fair market value of the Common Stock on June 30, 2008 of \$11.00. The actual amounts to be paid out can only be determined at the time of such executive’s termination of employment.

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| Name and Plan                          | Voluntary<br>Resignation | Early<br>Retirement<br>(at age 62) | Normal<br>Retirement<br>(at age 65) | Termination                          | Termination                               | Death              | Disability         |
|----------------------------------------|--------------------------|------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------------|--------------------|--------------------|
|                                        |                          |                                    |                                     | w/o Cause<br>No Change in<br>Control | w/o Cause<br>With<br>Change in<br>Control |                    |                    |
| <b><u>John N. Hopkins</u></b>          |                          |                                    |                                     |                                      |                                           |                    |                    |
| Salary                                 | \$ 0                     | \$ 0                               | \$ 0                                | \$1,965,000                          | \$2,841,961                               | \$ 54,583          | \$1,506,500        |
| Incentive/Bonus                        | 0                        | 0                                  | 0                                   | 0                                    | 0                                         | 0                  | 0                  |
| <b>Total Cash Payments</b>             | <b>0</b>                 | <b>0</b>                           | <b>0</b>                            | <b>1,965,000</b>                     | <b>2,841,961</b>                          | <b>54,583</b>      | <b>1,506,500</b>   |
| <b><u>Benefits</u></b>                 |                          |                                    |                                     |                                      |                                           |                    |                    |
| Medical/Vision                         | 0                        | 38,165                             | 0                                   | 38,165                               | 38,165                                    | 0                  | 38,165             |
| Dental                                 | 0                        | 0                                  | 0                                   | 4,493                                | 4,493                                     | 0                  | 4,493              |
| Life Insurance                         | 0                        | 498                                | 166                                 | 498                                  | 0                                         | 0                  | 498                |
| LTD/LTC                                | 0                        | 0                                  | 0                                   | 15,657                               | 0                                         | 0                  | 15,657             |
| Accident                               | 0                        | 0                                  | 0                                   | 792                                  | 0                                         | 0                  | 792                |
| Pension BEP Benefits                   | 1,583,000                | 1,583,000                          | 1,583,000                           | 1,583,000                            | 1,583,000                                 | 1,583,000          | 1,583,000          |
| ESOP BEP Benefits                      | 125,457                  | 125,457                            | 125,457                             | 125,457                              | 125,457                                   | 125,457            | 125,457            |
| <b>Total Benefits</b>                  | <b>1,708,457</b>         | <b>1,747,120</b>                   | <b>1,708,623</b>                    | <b>1,768,062</b>                     | <b>1,751,115</b>                          | <b>1,708,457</b>   | <b>1,768,062</b>   |
| <b>Total Cash &amp; Benefits</b>       | <b>1,708,457</b>         | <b>1,747,120</b>                   | <b>1,708,623</b>                    | <b>3,733,062</b>                     | <b>4,593,076</b>                          | <b>1,763,040</b>   | <b>3,274,562</b>   |
| Value Unvested Options<br>Acceleration | 0                        | 0                                  | 0                                   | 0                                    | 0                                         | 0                  | 0                  |
| Value Unvested Awards<br>Acceleration  | 0                        | 0                                  | 0                                   | 0                                    | 1,980,000                                 | 1,980,000          | 1,980,000          |
| <b>Total</b>                           | <b>\$1,708,457</b>       | <b>\$1,747,120</b>                 | <b>\$1,708,62</b>                   | <b>\$3,733,062</b>                   | <b>\$6,573,076</b>                        | <b>\$3,743,040</b> | <b>\$5,254,562</b> |
| <b><u>William C. Ledgerwood</u></b>    |                          |                                    |                                     |                                      |                                           |                    |                    |
| Salary                                 | \$ 0                     | \$ 0                               | \$ 0                                | \$ 469,500                           | \$ 480,788                                | \$ 19,563          | \$ 387,338         |
| Incentive/Bonus                        | 0                        | 0                                  | 0                                   | 11,288                               | 0                                         | 0                  | 9,683              |
| <b>Total Cash Payments</b>             | <b>0</b>                 | <b>0</b>                           | <b>0</b>                            | <b>480,788</b>                       | <b>480,788</b>                            | <b>19,563</b>      | <b>397,021</b>     |
| <b><u>Benefits</u></b>                 |                          |                                    |                                     |                                      |                                           |                    |                    |
| Medical/Vision                         | 0                        | 40,439                             | 0                                   | 26,959                               | 26,959                                    | 0                  | 26,959             |
| Dental                                 | 0                        | 0                                  | 0                                   | 2,995                                | 2,995                                     | 0                  | 2,995              |
| Life Insurance                         | 0                        | 498                                | 166                                 | 332                                  | 0                                         | 0                  | 332                |
| LTD/LTC                                | 0                        | 0                                  | 0                                   | 8,290                                | 0                                         | 0                  | 8,290              |
| Accident                               | 0                        | 0                                  | 0                                   | 496                                  | 0                                         | 0                  | 496                |
| Pension BEP Benefits                   | 0                        | 0                                  | 0                                   | 0                                    | 0                                         | 0                  | 0                  |
| ESOP BEP Benefits                      | 0                        | 0                                  | 0                                   | 0                                    | 0                                         | 0                  | 0                  |
| <b>Total Benefits</b>                  | <b>0</b>                 | <b>40,937</b>                      | <b>166</b>                          | <b>39,072</b>                        | <b>29,954</b>                             | <b>0</b>           | <b>39,072</b>      |
| <b>Total Cash &amp; Benefits</b>       | <b>0</b>                 | <b>40,937</b>                      | <b>166</b>                          | <b>519,860</b>                       | <b>510,742</b>                            | <b>19,563</b>      | <b>436,093</b>     |
| Value Unvested Options<br>Acceleration | 0                        | 0                                  | 0                                   | 0                                    | 0                                         | 0                  | 0                  |
| Value Unvested Awards<br>Acceleration  | 0                        | 0                                  | 0                                   | 0                                    | 561,000                                   | 561,000            | 561,000            |
| <b>Total</b>                           | <b>\$ 0</b>              | <b>\$ 40,937</b>                   | <b>\$ 166</b>                       | <b>\$ 519,860</b>                    | <b>\$1,071,742</b>                        | <b>\$580,563</b>   | <b>\$ 997,093</b>  |
| <b><u>Albert E. Gossweiler</u></b>     |                          |                                    |                                     |                                      |                                           |                    |                    |
| Salary                                 | \$ 0                     | \$ 0                               | \$ 0                                | \$ 469,500                           | \$ 480,788                                | \$ 19,563          | \$ 387,338         |
| Incentive/Bonus                        | 0                        | 0                                  | 0                                   | 11,288                               | 0                                         | 0                  | 9,683              |
| <b>Total Cash Payments</b>             | <b>0</b>                 | <b>0</b>                           | <b>0</b>                            | <b>480,788</b>                       | <b>480,788</b>                            | <b>19,563</b>      | <b>397,021</b>     |
| <b><u>Benefits</u></b>                 |                          |                                    |                                     |                                      |                                           |                    |                    |

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|                                        |             |                  |               |                   |                    |                  |                   |
|----------------------------------------|-------------|------------------|---------------|-------------------|--------------------|------------------|-------------------|
| Medical/Vision                         | 0           | 38,165           | 0             | 25,443            | 25,443             | 0                | 25,443            |
| Dental                                 | 0           | 0                | 0             | 2,995             | 2,995              | 0                | 2,995             |
| Life Insurance                         | 0           | 498              | 166           | 332               | 0                  | 0                | 332               |
| LTD/LTC                                | 0           | 0                | 0             | 9,982             | 0                  | 0                | 9,982             |
| Accident                               | 0           | 0                | 0             | 496               | 0                  | 0                | 496               |
| Pension BEP Benefits                   | 0           | 0                | 0             | 0                 | 0                  | 0                | 0                 |
| ESOP BEP Benefits                      | 0           | 0                | 0             | 0                 | 0                  | 0                | 0                 |
| <b>Total Benefits</b>                  | <b>0</b>    | <b>38,663</b>    | <b>166</b>    | <b>39,248</b>     | <b>28,438</b>      | <b>0</b>         | <b>39,248</b>     |
| <b>Total Cash &amp; Benefits</b>       | <b>0</b>    | <b>38,663</b>    | <b>166</b>    | <b>520,036</b>    | <b>509,226</b>     | <b>19,563</b>    | <b>436,269</b>    |
| Value Unvested Options<br>Acceleration | 0           | 0                | 0             | 0                 | 0                  | 0                | 0                 |
| Value Unvested Awards<br>Acceleration  | 0           | 0                | 0             | 0                 | 561,000            | 561,000          | 561,000           |
| <b>Total</b>                           | <b>\$ 0</b> | <b>\$ 38,663</b> | <b>\$ 166</b> | <b>\$ 520,036</b> | <b>\$1,070,226</b> | <b>\$ 80,563</b> | <b>\$ 997,269</b> |

Potential Payments Upon Resignation, Retirement or Termination (continued)

| Name and Plan                       | Voluntary<br>Resignation | Early<br>Retirement<br>(at age 62) | Normal<br>Retirement<br>(at age 65) | Termination                                         |                                                          | Death            | Disability         |
|-------------------------------------|--------------------------|------------------------------------|-------------------------------------|-----------------------------------------------------|----------------------------------------------------------|------------------|--------------------|
|                                     |                          |                                    |                                     | Termination<br>w/o Cause<br>No Change in<br>Control | Termination<br>w/o Cause<br>With<br>Change in<br>Control |                  |                    |
| <b><u>Patrick M. Joyce</u></b>      |                          |                                    |                                     |                                                     |                                                          |                  |                    |
| Salary                              | \$ 0                     | \$ 0                               | \$ 0                                | \$ 469,500                                          | \$ 480,788                                               | \$ 19,563        | \$ 387,338         |
| Incentive/Bonus                     | 0                        | 0                                  | 0                                   | 11,288                                              | 0                                                        | 0                | 9,683              |
| <b>Total Cash Payments</b>          | <b>0</b>                 | <b>0</b>                           | <b>0</b>                            | <b>480,788</b>                                      | <b>480,788</b>                                           | <b>19,563</b>    | <b>397,021</b>     |
| <b><u>Benefits</u></b>              |                          |                                    |                                     |                                                     |                                                          |                  |                    |
| Medical/Vision                      | 0                        | 55,006                             | 0                                   | 36,671                                              | 36,671                                                   | 0                | 36,671             |
| Dental                              | 0                        | 0                                  | 0                                   | 2,995                                               | 2,995                                                    | 0                | 2,995              |
| Life Insurance                      | 0                        | 498                                | 166                                 | 332                                                 | 0                                                        | 0                | 332                |
| LTD/LTC                             | 0                        | 0                                  | 0                                   | 5,328                                               | 0                                                        | 0                | 5,328              |
| Accident                            | 0                        | 0                                  | 0                                   | 496                                                 | 0                                                        | 0                | 496                |
| Pension BEP Benefits                | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| ESOP BEP Benefits                   | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| <b>Total Benefits</b>               | <b>0</b>                 | <b>55,504</b>                      | <b>166</b>                          | <b>45,822</b>                                       | <b>39,666</b>                                            | <b>0</b>         | <b>45,822</b>      |
| <b>Total Cash &amp; Benefits</b>    | <b>0</b>                 | <b>55,504</b>                      | <b>166</b>                          | <b>526,610</b>                                      | <b>520,454</b>                                           | <b>19,563</b>    | <b>442,843</b>     |
| Value Unvested Options Acceleration | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| Value Unvested Awards Acceleration  | 0                        | 0                                  | 0                                   | 0                                                   | 561,000                                                  | 561,000          | 561,000            |
| <b>Total</b>                        | <b>\$ 0</b>              | <b>\$ 55,504</b>                   | <b>\$ 166</b>                       | <b>\$ 526,610</b>                                   | <b>\$1,081,454</b>                                       | <b>\$580,563</b> | <b>\$1,003,843</b> |
| <b><u>Erika Parisi</u></b>          |                          |                                    |                                     |                                                     |                                                          |                  |                    |
| Salary                              | \$ 0                     | \$ 0                               | \$ 0                                | \$ 469,500                                          | \$ 480,788                                               | \$ 19,563        | \$ 387,338         |
| Incentive/Bonus                     | 0                        | 0                                  | 0                                   | 9,551                                               | 0                                                        | 0                | 9,683              |
| <b>Total Cash Payments</b>          | <b>0</b>                 | <b>0</b>                           | <b>0</b>                            | <b>479,051</b>                                      | <b>480,788</b>                                           | <b>19,563</b>    | <b>397,021</b>     |
| <b><u>Benefits</u></b>              |                          |                                    |                                     |                                                     |                                                          |                  |                    |
| Medical/Vision                      | 0                        | 55,006                             | 0                                   | 36,671                                              | 36,671                                                   | 0                | 36,671             |
| Dental                              | 0                        | 0                                  | 0                                   | 2,995                                               | 2,995                                                    | 0                | 2,995              |
| Life Insurance                      | 0                        | 498                                | 166                                 | 332                                                 | 0                                                        | 0                | 332                |
| LTD/LTC                             | 0                        | 0                                  | 0                                   | 5,589                                               | 0                                                        | 0                | 5,589              |
| Accident                            | 0                        | 0                                  | 0                                   | 496                                                 | 0                                                        | 0                | 496                |
| Pension BEP Benefits                | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| ESOP BEP Benefits                   | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| <b>Total Benefits</b>               | <b>0</b>                 | <b>55,504</b>                      | <b>166</b>                          | <b>46,083</b>                                       | <b>39,666</b>                                            | <b>0</b>         | <b>46,083</b>      |
| <b>Total Cash &amp; Benefits</b>    | <b>0</b>                 | <b>55,504</b>                      | <b>166</b>                          | <b>525,134</b>                                      | <b>520,454</b>                                           | <b>19,563</b>    | <b>443,104</b>     |
| Value Unvested Options Acceleration | 0                        | 0                                  | 0                                   | 0                                                   | 0                                                        | 0                | 0                  |
| Value Unvested Awards Acceleration  | 0                        | 0                                  | 0                                   | 0                                                   | 561,000                                                  | 561,000          | 561,000            |
| <b>Total</b>                        | <b>\$ 0</b>              | <b>\$ 55,504</b>                   | <b>\$ 166</b>                       | <b>\$ 525,134</b>                                   | <b>\$1,081,454</b>                                       | <b>\$580,563</b> | <b>\$1,004,104</b> |



**DIRECTOR COMPENSATION**

Set forth below is a table providing information concerning the compensation of the non-employee directors of the Company for the fiscal year ended June 30, 2008.

| <b>Name</b>          | <b>Fees Earned</b>         |                                       |                                        |                                                  |                                                 | <b>Total</b> |
|----------------------|----------------------------|---------------------------------------|----------------------------------------|--------------------------------------------------|-------------------------------------------------|--------------|
|                      | <b>or Paid<br/>in Cash</b> | <b>Stock<br/>Awards<sup>(1)</sup></b> | <b>Option<br/>Awards<sup>(2)</sup></b> | <b>Change in<br/>Pension Value<sup>(3)</sup></b> | <b>All Other<br/>Compensation<sup>(4)</sup></b> |              |
| John J. Mazur, Jr.   | \$111,440                  | \$131,939                             | \$78,856                               | \$41,154                                         | \$40,354                                        | \$403,743    |
| Matthew T. McClane   | \$97,450                   | \$131,939                             | \$78,856                               | \$23,064                                         | \$43,625                                        | \$374,934    |
| John F. McGovern     | \$100,100                  | \$131,939                             | \$78,856                               | \$19,003                                         | \$36,970                                        | \$366,868    |
| Theodore J. Aanensen | \$99,250                   | \$131,939                             | \$78,856                               | \$33,110                                         | \$25,853                                        | \$369,008    |
| Joseph P. Mazza      | \$100,250                  | \$131,939                             | \$78,856                               | \$19,018                                         | \$38,070                                        | \$368,133    |
| John F. Regan        | \$99,250                   | \$131,939                             | \$78,856                               | \$29,202                                         | \$21,977                                        | \$361,244    |
| Henry S. Parow       | \$98,950                   | \$131,939                             | \$78,856                               | \$22,975                                         | \$38,476                                        | \$371,196    |
| Leopold W. Montanaro | \$88,450                   | \$131,939                             | \$78,856                               | \$21,443                                         | \$38,702                                        | \$359,390    |

- (1) Represents the compensation cost recognized by the Company for fiscal 2008 in connection with restricted stock awards granted to the individual, regardless of the year of grant and calculated in accordance with Statement of Financial Accounting Standard (“SFAS”) 123R for financial statement purposes. For more information concerning the assumptions used for these calculations, please see Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders. This amount does not reflect dividends paid on unvested restricted stock, which is included under “All Other Compensation.”
- (2) Represents the compensation cost recognized by the Company for fiscal 2008 in connection with options to purchase shares of Common Stock granted to the individual, regardless of the year of grant and calculated in accordance with SFAS 123R for financial statement purposes. For more information concerning the assumptions used for these calculations, please see Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders. Each director currently holds options to purchase 133,655 shares of Common Stock at an option exercise price of \$11.55 per share. These such options were granted on October 24, 2005 and vest at the rate of 20% per year, beginning on the one-year anniversary of the date of the award
- (3) For more information concerning the Directors Consultation and Retirement Plan, please see Note 12 of Notes to Consolidated Financial Statements in the 2008 Annual Report to Shareholders.
- (4) For 2008, all other compensation included the following:

| <b>Name</b>          | <b>Health Care</b> | <b>Long Term</b> | <b>Bank Owned</b> | <b>Accrued</b>      |                  | <b>Total</b>        |
|----------------------|--------------------|------------------|-------------------|---------------------|------------------|---------------------|
|                      | <b>and Dental</b>  | <b>Care</b>      | <b>Life</b>       | <b>Dividends on</b> | <b>All Other</b> |                     |
|                      | <b>Premiums</b>    | <b>Premiums</b>  | <b>Insurance*</b> | <b>Bonus **</b>     | <b>Awards</b>    | <b>Compensation</b> |
| John J. Mazur, Jr.   | \$18,618           | \$3,124          | \$747             | \$0                 | \$17,865         | \$40,354            |
| Matthew T. McClane   | \$12,067           | \$6,770          | \$6,923           | \$0                 | \$17,865         | \$43,625            |
| John F. McGovern     | \$18,618           | \$0              | \$487             | \$0                 | \$17,865         | \$36,970            |
| Theodore J. Aanensen | \$1,462            | \$4,980          | \$1,546           | \$0                 | \$17,865         | \$25,853            |
| Joseph P. Mazza      | \$13,365           | \$5,110          | \$1,730           | \$0                 | \$17,865         | \$38,070            |
| John F. Regan        | \$0                | \$2,566          | \$1,546           | \$0                 | \$17,865         | \$21,977            |



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|                      |          |         |         |     |          |          |
|----------------------|----------|---------|---------|-----|----------|----------|
| Henry S. Parow       | \$12,067 | \$8,544 | \$ 0    | \$0 | \$17,865 | \$38,476 |
| Leopold W. Montanaro | \$12,067 | \$7,746 | \$1,024 | \$0 | \$17,865 | \$38,702 |

\*For each director other than Mr. Parow, the Company maintains life insurance arrangements providing for a death benefit of \$500,000 for each director.

\*\*Payments under the Directors Incentive Compensation Plan. The Board determined to suspend payments under the Directors Incentive Compensation Plan for the fiscal year ended June 30, 2008 and for the calendar year 2008.

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**Board Fees.** Directors are currently paid a fee of \$1,250 per Bank board meeting attended, \$600 per Company meeting attended and \$600 per Kearny MHC meeting attended. The chairman receives a higher fee of \$1,500, \$720 and \$720, for bank, holding company and mutual holding company meetings, respectively. Directors are also paid a fee for participation in special meetings of the Board of Directors. Participation in a special meeting by means of a conference telephone or similar communications device through which all persons participating can hear each other at the same time constitutes presence in person for all purposes. Attendance in person is required in order to be paid for regularly scheduled board meetings.

Members of the Kearny Federal Savings Bank Executive Committee are currently paid \$1,200 per committee meeting attended; the chairman receives a higher fee of \$1,440 for Executive Committee meetings. Each member of the Kearny Federal Savings Bank Board of Directors is also a member of the Executive Committee. Members of the Audit & Compliance Committee and the chairman of this committee are paid \$250 and \$350, respectively, for each meeting attended. Members of the Compensation Committee and the chairman of this committee are paid \$250 and \$300, respectively, for each meeting attended.

Directors also receive an annual retainer as follows: \$32,000 for service on Kearny Federal Savings Bank's board, \$9,000 for service on Kearny Financial Corp.'s board and \$9,000 for service on Kearny MHC's board. Directors who also serve as employees do not receive compensation as directors.

**Directors Consultation and Retirement Plan.** Kearny Financial Corp. maintains a Directors Consultation and Retirement Plan (the "DCRP"). The DCRP provides retirement benefits to the directors of Kearny Financial Corp., Kearny MHC and Kearny Federal Savings Bank based upon the number of years of service as a director. To be eligible to receive benefits under the DCRP, a director generally must have completed at least 5 years of service and must not retire from the board prior to reaching 60 years of age. If a director agrees to become a consulting director upon retirement, he will receive a monthly payment equal to 2.5% of the total retainer plus fees paid for attendance at regular and special meetings and meetings of the executive committee paid to him by Kearny Financial Corp., Kearny MHC and Kearny Federal Savings Bank during the 12-month period prior to the date of retirement multiplied by the number of years of service as a director, not to exceed 80% of board compensation. Benefits under the DCRP begin upon a director's retirement and are paid for life; provided, however, that in the event of a director's death prior to the receipt of 120 monthly payments, payments shall continue to the director's surviving spouse or estate until 120 payments have been made. In the event there is a change in control (as defined in the DCRP), all directors will be presumed to be eligible to receive benefits under the DCRP and each director will receive a lump sum payment equal to the present value of future benefits payable. Benefits under the DCRP are unvested and forfeitable until retirement at or after age 60 with at least 5 years of service, termination of service following a change in control, disability following at least 5 years of service or death.

**Directors Incentive Compensation Plan.** In December 2005, the Board of Directors adopted the Directors Incentive Compensation Plan which provides a cash payment to each non-employee director each time a cash dividend on the Company's common stock is paid, in an amount equivalent to the cash dividend payable as if the director had exercised all stock options held by the director as of the dividend record date whether or not such options held as of the dividend record date are exercisable. Payment of compensation based upon stock options held expires with the expiration or exercise of the underlying options. This plan may be amended, modified, suspended or canceled by the Board of Directors at any time. The Board determined in December 2006 to suspend payments under this plan. The Board has not made any determination regarding whether future payments will be made under this plan in 2009 or in later years.

## PROPOSAL II - RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

The Audit Committee of Board of Directors of the Company has appointed Beard Miller Company LLP as the Company's independent auditor for the fiscal year ending June 30, 2009. This appointment is being submitted to the Company's shareholders for ratification. Beard Miller was the Company's independent auditor for the fiscal year ended June 30, 2008. A representative of Beard Miller is expected to be present at the Annual Meeting, will have the opportunity to make a statement if he or she so desires, and is expected to be available to respond to appropriate questions.

Ratification of the appointment of the independent auditor requires the affirmative vote of a majority of the votes cast, in person or by proxy, by the shareholders of the Company at the Annual Meeting. **The Board of Directors recommends that shareholders vote "FOR" the ratification of the appointment of Beard Miller Company LLP as the Company's independent auditor for the 2009 fiscal year.**

## INFORMATION REGARDING INDEPENDENT AUDITOR

**Principal Accounting Fees and Services.** Under the Sarbanes-Oxley Act of 2002, all auditing services and non-audit services provided by an issuer's independent auditor must be approved by the issuer's audit committee prior to such services being rendered or be approved pursuant to pre-approval policies and procedures established by the issuer's audit committee. The Company's Audit Committee approves each service prior to the engagement of the auditor for all audit and non-audit services. All of the services listed below were approved by the Audit Committee prior to the service being rendered. There were no non-audit services described below that were not recognized as non-audit services at the time of engagement that were approved after the fact pursuant to the de minimus exception under the Sarbanes-Oxley Act.

**Audit Fees.** Audit fees consist of fees for professional services rendered for the audit of the Company's annual consolidated financial statements and for the review of the quarterly consolidated financial statements. The aggregate audit fees billed by Beard Miller for the year ended June 30, 2008 and 2007 were \$275,200 and \$266,021, respectively.

**Audit-Related Fees.** Audit-related fees consist principally of assurance and related services normally provided by the independent auditor in connection with statutory and regulatory filings. The aggregate audit related fees billed by Beard Miller for the year ended June 30, 2008 and 2007 were \$42,337 and \$31,493, respectively.

**Tax Fees.** The aggregate fees billed by Beard Miller for professional services rendered for tax compliance, tax advice and tax planning totaled \$46,155 and \$28,750 for the years ended June 30, 2008 and 2007, respectively. Tax-related services consisted of tax return preparation and consultation.

**All Other Fees.** The aggregate fees billed by Beard Miller for professional services rendered for services or products other than those listed under the captions "Audit Fees," "Audit-Related Fees," and "Tax Fees" totaled \$9,200 for the year ended June 30, 2008 and \$0 for the year ended June 30, 2007.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's officers and directors, and persons who own more than ten percent of the Common Stock, to file reports of ownership and changes in ownership of the Common Stock with the Securities and Exchange Commission and to provide copies of those reports to the Company. The Company is not aware of any beneficial owner, as defined under Section 16(a), of more than ten percent of the outstanding common stock, other than Kearny MHC. Based solely on its review of these reports or representations from the reporting persons that no filings are due, the Company believes that all Section 16(a) filing requirements applicable to its officers and directors were complied with during the 2008 fiscal year.

**SHAREHOLDER COMMUNICATIONS TO THE BOARD**

**AND SHAREHOLDER PROPOSALS**

The Board of Directors does not have a formal process for shareholders to send communications to the Board. In view of the infrequency of shareholder communications to the Board of Directors, the Board does not believe that a formal process is necessary. Written communications received by the Company from shareholders are shared with the full Board no later than the next regularly scheduled Board meeting.

In order to be considered for inclusion in the Company's proxy materials for the annual meeting of shareholders for the fiscal year ending June 30, 2009, all shareholder proposals must be received at the Company's executive office at 120 Passaic Avenue, Fairfield, New Jersey, 07004 no later than June 2, 2009.

Under the Company's bylaws, any new business to be taken up at the annual meeting shall be stated in writing and filed with the secretary of the Company at least five days before the date of the annual meeting, and all business so stated, proposed and filed shall be considered at the annual meeting; but no other proposal shall be acted upon at the annual meeting.

Unless unable to attend due to illness or other unforeseen circumstances, each member of the Board of Directors is present at annual meetings. All nine directors attended the 2007 Annual Meeting of Shareholders.

**SHAREHOLDERS SHARING A SINGLE ADDRESS**

Only one copy of this proxy statement and the accompanying annual report to shareholders is being delivered to multiple shareholders sharing an address unless the Company has previously received contrary instructions from one or more of such shareholders. On written or oral request to the Secretary of Kearny Financial Corp., 120 Passaic Avenue, Fairfield, New Jersey 07004 (973) 244-4500, the Company will deliver promptly a separate copy of this proxy statement and the Annual Report to a shareholder at a shared address to which a single copy of the documents was delivered. Shareholders sharing an address who wish, in the future, to receive separate copies or a single copy of our proxy statements and annual reports should provide written or oral notice to the Secretary at the address and telephone number set forth above.

**OTHER MATTERS**

The Board of Directors is not aware of any other matters to come before the Annual Meeting. However, if any other matters should properly come before the Annual Meeting or any adjournments, it is intended that proxies in the accompanying form will be voted in respect thereof in accordance with the judgment of the persons named in the accompanying proxy.

**MISCELLANEOUS**

The Company will bear the cost of soliciting proxies. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses that they incur in forwarding proxy materials to the beneficial owners of Common Stock. In addition to soliciting proxies by mail, directors, officers, and regular employees of the Company may solicit proxies personally or by telephone without additional compensation.

The Company's 2008 Annual Report to Shareholders, which includes a copy of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2008, accompanies this proxy statement. Except in the extent specifically incorporated by reference, the Annual Report is not to be treated as part of the proxy solicitation material nor as having been incorporated by reference herein.

# REVOCABLE PROXY

KEARNY FINANCIAL CORP.

/X/ PLEASE MARK VOTES

AS IN THIS EXAMPLE

ANNUAL MEETING OF SHAREHOLDERS

October 27, 2008

WITH FOR ALL

FOR HOLD EXCEPT

1. The election as director

of the nominees listed

(except as marked to the

contrary below):

The undersigned hereby appoints the Board of Directors of Kearny Financial Corp. (the "Company"), or its designee, with full powers of substitution, to act as attorneys and proxies for the undersigned, to vote all shares of common stock of the Company, which the undersigned is entitled to vote at the Annual Meeting of Shareholders (the "Annual Meeting"), to be held at the offices of Kearny Financial Corp., 120 Passaic Avenue, Fairfield, New Jersey on October 27, 2008, at 10:00 a.m. and at any and all adjournments thereof, in the following manner:

**Theodore J. Aanensen**

**Joseph P. Mazza**

**John F. Regan**

**INSTRUCTION: To withhold authority to vote for any individual nominee, mark "For All Except" and write the nominee's name in the space provided below.**

FOR AGAINST ABSTAIN

1. Ratification of the appoint-

ment of Beard Miller

Company LLP as the

Company's independent

auditor for the fiscal year

ending June 30, 2009.

**THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR THE LISTED NOMINEES AND FOR PROPOSAL 2. IF ANY OTHER BUSINESS IS PRESENTED AT THE ANNUAL MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN ACCORDANCE WITH THE DETERMINATION OF THE BOARD OF DIRECTORS. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE ANNUAL MEETING. THIS PROXY CONFERS DISCRETIONARY AUTHORITY ON THE HOLDERS THEREOF TO VOTE WITH RESPECT TO THE ELECTION OF ANY PERSON AS DIRECTOR WHERE THE NOMINEE IS UNABLE TO SERVE OR FOR GOOD CAUSE WILL NOT SERVE AND MATTERS INCIDENT TO THE CONDUCT OF THE ANNUAL MEETING.**

**THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS.**

Please be sure to sign and date this proxy in the box      Date  
below  
Shareholder sign above.                      Co-holder (if any) sign above.

Should the above shareholder be present and elect to vote at the Annual Meeting or at any adjournment thereof and after notification to the Secretary of the Company at the Annual Meeting of the shareholder's decision to terminate this proxy, then the power of said attorneys and proxies shall be deemed terminated and of no further force and effect. The above shareholder acknowledges receipt from the Company prior to the execution of this proxy of notice of the Annual Meeting, a Proxy Statement therefor and the 2008 Annual Report to Shareholders. Please sign exactly as your name appears on this proxy card. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder should sign.

**PLEASE ACT PROMPTLY**

**SIGN, DATE AND MAIL YOUR PROXY CARD TODAY**

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ending June 30, 2009.

**If you return this 401(k) Plan Voting Instruction Form, properly signed, but you do not otherwise specify, shares allocated to your 401(k) Plan account will be voted "FOR" the above listed nominees and proposals. If you do not return this Voting Instruction Form, your shares will be voted by the Trustees at the direction of the Company's Board of Directors serving as the 401(k) Plan Administrator.**

\_\_\_\_\_  
Please be sure to sign and date      DATE

this form in the box below

**The Company's Board of Directors recommends a vote "FOR" the above listed nominees and proposals. It is anticipated that the Company's Board of Directors, serving as the 401(k) Plan Administrator, will (subject to its fiduciary duty) instruct the 401(k) Plan Trustee to vote all shares for which no timely voting direction is received "FOR" the above listed nominees and proposals.**

Sign above

Detach above form, sign, date and mail in postage paid envelope

**KEARNY FINANCIAL CORP.**

**120 PASSAIC AVENUE**

**FAIRFIELD, NEW JERSEY 07004**

**PLEASE ACT PROMPTLY**

**PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS VOTING INSTRUCTION FORM PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

The above 401(k) Plan participant acknowledges receipt from the Company prior to the execution of this proxy of notice of the Annual Meeting, a Proxy Statement therefor and the 2008 Annual Report to Shareholders. Please sign exactly as your name appears on this form. When signing as attorney, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder should sign.

**IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE FORM IN THE ENVELOPE PROVIDED.**

\_\_\_\_\_  
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**If you return the form properly signed, but you do not otherwise specify, shares will be voted "FOR" the above listed nominees and proposals. If you do not return this form, your shares will be voted by the Trustees as directed by the ESOP Committee consisting of the outside directors of the Company's Board of Directors.**

\_\_\_\_\_  
Please be sure to sign and date      DATE

this form in the box below

Sign above

Detach above form, sign, date and mail in postage paid envelope

**KEARNY FINANCIAL CORP.**

**120 PASSAIC AVENUE**

**FAIRFIELD, NEW JERSEY 07004**

**PLEASE ACT PROMPTLY**

**PLEASE COMPLETE, DATE, SIGN, AND MAIL THIS VOTING INSTRUCTION FORM PROMPTLY IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

The above participant acknowledges receipt from the Company prior to the execution of this proxy of notice of the Annual Meeting, a Proxy Statement therefor and the 2008 Annual Report to Shareholders. Please sign exactly as your name appears on this form. When signing as attorney, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder should sign.

**IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE FORM IN THE ENVELOPE PROVIDED.**

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