OLD REPUBLIC INTERNATIONAL CORP
Form 10-K
March 01, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(FEE REQUIRED)

For the fiscal year ended: December 31, 2009 OR

_ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(NO FEE REQUIRED)

For the transition period from ________________________________ to ________________________________

Commission File Number: 001-10607

OLD REPUBLIC INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	No. 36-2678171 (IRS Employer Identification No.)
307 North Michigan Avenue, Chicago, Illinois (Address of principal executive office)	60601 (Zip Code)

Registrant's telephone number, including area code: 312-346-8100

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Each Exchange on Which Registered
Common Stock/$1 par value	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes: X/ No:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes: _/ No:X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes: X/ No:

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: /No:_

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one).

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes: / No:X

The aggregate fair value of the registrant's voting Common Stock held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant’s directors and executive officers, the registrant’s various employee benefit plans and American Business & Personal Insurance Mutual, Inc. and its subsidiaries are all affiliates of the registrant), based on the closing sale price of the registrant’s common stock on June 30, 2009, the last day of the registrant’s most recently completed second fiscal quarter, was $2,131,893,832.

The registrant had 240,686,104 shares of Common Stock outstanding as of January 29, 2010.

Documents incorporated by reference:

The following documents are incorporated by reference into that part of this Form 10-K designated to the right of the document title.

Title	Part
Proxy statement for the 2010 Annual Meeting of Shareholders	III, Items 10, 11, 12, 13 and 14
Exhibits as specified in exhibit index (page 96)	IV, Item 15

There are 97 pages in this report

PART I

Item 1 - Business

(a) General Description of Business. Old Republic International Corporation is a Chicago based holding company engaged in the single business of insurance underwriting. It conducts its operations through a number of regulated insurance company subsidiaries organized into three major segments, namely, it's General (property and liability insurance), Mortgage Guaranty, and Title Insurance Groups. References herein to such groups apply to the Company's subsidiaries engaged in these respective segments of business. The results of a small life and health insurance business are included within the corporate and other caption of this report. "Old Republic" or "the Company" refers to Old Republic International Corporation and its subsidiaries as the context requires.

The insurance business is distinguished from most others in that the prices (premiums) charged for various insurance products are set without certainty of the ultimate benefit and claim costs that will emerge or be incurred, often many years after issuance and expiration of a policy. This basic fact casts Old Republic as a risk-taking enterprise managed for the long run. Management therefore conducts the business with a primary focus on achieving favorable underwriting results over cycles, and the maintenance of financial soundness in support of its subsidiaries' long-term obligations to insurance beneficiaries. To achieve these objectives, adherence to certain basic insurance risk management principles is stressed, and asset diversification and quality are emphasized. The underwriting principles encompass:

- Disciplined risk selection, evaluation, and pricing to reduce uncertainty and adverse selection;
- Augmenting the predictability of expected outcomes through insurance of the largest number of homogeneous risks as to each type of coverage;
- Reducing the insurance portfolio risk profile through:
  - diversification and spread of insured risks; and
  - assimilation of uncorrelated asset and liability exposures across economic sectors that tend to offset or counterbalance one another; and
- Effectively managing gross and net limits of liability through appropriate use of reinsurance.

In addition to income arising from Old Republic's basic underwriting and related services functions, significant investment income is earned from invested funds generated by those functions and from shareholders' capital. Investment management aims for stability of income from interest and dividends, protection of capital, and sufficient liquidity to meet insurance underwriting and other obligations as they become payable in the future. Securities trading and the realization of capital gains are not objectives. The investment philosophy is therefore best characterized as emphasizing value, credit quality, and relatively long-term holding periods. The Company's ability to hold both fixed maturity and equity securities for long periods of time is in turn enabled by the scheduling of maturities in contemplation of an appropriate matching of assets and liabilities.

In light of the above factors, the Company's affairs are managed without regard to the arbitrary strictures of quarterly or even annual reporting periods that American industry must observe. In Old Republic's view, such short reporting time frames do not comport well with the long-term nature of much of its business. Management believes that the Company's operating results and financial condition can best be evaluated by observing underwriting and overall operating performance trends over succeeding five to ten year intervals. Such extended periods can encompass one or two economic and/or underwriting cycles, and thereby provide appropriate time frames for such cycles to run their course and for reserved claim costs to be quantified with greater finality and effect.

The contributions to consolidated net revenues and income before taxes, and the assets and shareholders' equity of each Old Republic segment are set forth in the following table. This information should be read in conjunction with the consolidated financial statements, the notes thereto, and the "Management Analysis of Financial Position and Results of Operations" appearing elsewhere in this report.

2

Financial Information Relating to Segments of Business (a)

Net Revenues (b)		($ in Millions)	
Years Ended December 31:	2009	2008	2007
General	$ 2,052.7	$ 2,255.9	$ 2,438.0
Mortgage Guaranty	746.1	690.0	608.3
Title	914.1	681.3	878.5
Corporate & Other – net (c)	138.1	132.1	131.4
Consolidated realized investment gains (losses)	6.3	(486.4)	70.3
Consolidation elimination adjustments	(53.8)	(35.3)	(35.8)
Consolidated	$ 3,803.6	$ 3,237.7	$ 4,091.0

Income (Loss) Before Taxes			
Years Ended December 31:	2009	2008	2007
General	$ 200.1	$ 294.3	$ 418.0
Mortgage Guaranty	(486.4)	(594.3)	(110.4)
Title	2.1	(46.3)	(14.7)
Corporate & Other – net (c)	4.0	13.5	15.1
Consolidated realized investment gains (losses)	6.3	(486.4)	70.3
Consolidated	$ (273.6)	$ (819.2)	$ 378.4

Assets			
As of December 31:	2009	2008	2007
General	$ 9,920.8	$ 9,482.9	$ 9,769.9
Mortgage Guaranty	3,233.4	2,973.1	2,523.8
Title	852.8	762.4	770.4
Corporate & Other – net (c)	503.5	509.5	437.9
Consolidation elimination adjustments	(320.5)	(462.0)	(211.5)
Consolidated	$ 14,190.0	$ 13,266.0	$ 13,290.6

Shareholders' Equity			
As of December 31:	2009	2008	2007
General	$ 2,548.2	$ 2,258.7	$ 2,536.7
Mortgage Guaranty	581.7	828.0	1,237.7
Title	288.6	260.0	334.9
Corporate & Other – net (c)	516.9	433.7	475.4
Consolidated elimination adjustments	(44.1)	(40.2)	(43.2)
Consolidated	$ 3,891.4	$ 3,740.3	$ 4,541.6

(a) Reference is made to the table in Note 6 of the Notes to Consolidated Financial Statements, incorporated herein by reference, which shows the contribution of each subcategory to the consolidated net revenues and income or loss before income taxes of Old Republic's insurance industry segments.

(b)

Revenues consist of net premiums, fees, net investment and other income earned; realized investment gains (losses) are shown in total for all groups combined since the investment portfolio is managed as a whole.

(c) Represents amounts for Old Republic's holding company parent, minor corporate services subsidiaries, and a small life and health insurance operation.

3

General Insurance Group

Old Republic's General Insurance segment is best characterized as a commercial lines insurance business with a strong focus on liability insurance coverages. Most of these coverages are provided to businesses, government, and other institutions. The Company does not have a meaningful exposure to personal lines insurance such as homeowners and private automobile coverages, nor does it insure significant amounts of commercial or other real property. In continuance of its commercial lines orientation, Old Republic also focuses on specific sectors of the North American economy, most prominently the transportation (trucking and general aviation), commercial construction, forest products, energy, general manufacturing, and financial services industries. In managing the insurance risks it undertakes, the Company employs various underwriting and loss mitigation techniques such as utilization of policy deductibles, captive insurance risk-sharing arrangements, and retrospective rating and policyholder dividend plans. These underwriting techniques are intended to better correlate premium charges with the ultimate claims experience pertaining to individual or groups of assureds.

Over the years, the General Insurance Group's operations have been developed steadily through a combination of internal growth, the establishment of additional subsidiaries focused on new types of coverages and/or industry sectors, and through several mergers of smaller companies. As a result, this segment has become widely diversified with a business base encompassing the following major coverages:

Automobile Extended Warranty Insurance (1992): Coverage is provided to the vehicle owner for certain mechanical or electrical repair or replacement costs after the manufacturer's warranty has expired.

Aviation (1983): Insurance policies protect the value of aircraft hulls and afford liability coverage for acts that result in injury, loss of life, and property damage to passengers and others on the ground or in the air. Old Republic's aviation business does not extend to commercial airlines.

Commercial Automobile Insurance (1930's): Covers vehicles (mostly trucks) used principally in commercial pursuits. Policies cover damage to insured vehicles and liabilities incurred by an assured for bodily injury and property damage sustained by third parties.

Commercial Multi-Peril ("CMP")(1920's): Policies afford liability coverage for claims arising from the acts of owners or employees, and protection for the physical assets of large businesses.

Financial Indemnity: Multiple types of specialty coverages, including most prominently the following five, are underwritten by Old Republic within this financial indemnity products classification.

Consumer Credit Indemnity ("CCI")(1955): Policies provide limited indemnity to lenders and other financial intermediaries against the risk of non-payment of consumer loan balances by individual buyers and borrowers arising from unemployment, bankruptcy, and other failures to pay.

Errors & Omissions("E&O")/Directors & Officers ("D&O")(1983): E&O liability policies are written for non-medical professional service providers such as lawyers, architects and consultants, and provides coverage for legal expenses, and indemnity settlements for claims alleging breaches of professional standards. D&O coverage provides for the payment of legal expenses, and indemnity settlements for claims made against the directors and officers of corporations from a variety of sources, most typically shareholders.

Fidelity (1981): Bonds cover the exposures of financial institutions and commercial and other enterprises for losses of monies or debt and equity securities due to acts of employee dishonesty.

Guaranteed Asset Protection (“GAP”)(2003): This insurance covers an automobile loan borrower for the dollar value difference between an insurance company’s liability for the total loss (remaining cash value) of an insured vehicle and the amount still owed on an automobile loan.

Surety (1981): Bonds are insurance company guarantees of performance by a corporate principal or individual such as for the completion of a building or road project, or payment on various types of contracts.

General Liability (1920’s): Protects against liability of an assured which stems from carelessness, negligence, or failure to act, and results in property damage or personal injury to others.

Home Warranty Insurance (1981): This product provides repair and/or replacement coverage for home systems (e.g. plumbing, heating, and electrical) and designated appliances.

Inland Marine (1920’s): Coverage pertains to the insurance of property in transit over land and of property which is mobile by nature.

Travel Accident (1970): Coverages provided under these policies, some of which are also underwritten by the Company’s Canadian life insurance affiliate, cover monetary losses arising from trip delay and cancellation for individual insureds.

Workers’ Compensation (1920’s): This coverage is purchased by employers to provide insurance for employees’ lost wages and medical benefits in the event of work-related injury, disability, or death.

(Parenthetical dates refer to the year(s) when Old Republic’s Companies began underwriting the coverages)

Commercial automobile, general liability and workers' compensation insurance are typically produced in tandem for many assureds. For 2009, production of commercial automobile direct insurance premiums accounted for approximately 29.8% of consolidated General Insurance Group direct premiums written, while workers' compensation and general liability direct premium production amounted to approximately 19.2% and 13.6%, respectively, of such consolidated totals.

Approximately 85% of general insurance premiums are produced through independent agency or brokerage channels, while the remaining 15% is obtained through direct production facilities.

Mortgage Guaranty Group

Private mortgage insurance protects mortgage lenders and investors from default related losses on residential mortgage loans made primarily to homebuyers who make down payments of less than 20% of the home's purchase price. The Mortgage Guaranty Group insures only first mortgage loans, primarily on residential properties incorporating one-to-four family dwelling units.

There are two principal types of private mortgage insurance coverage: "primary" and "pool". Primary mortgage insurance provides mortgage default protection on individual loans and covers a stated percentage of the unpaid loan principal, delinquent interest, and certain expenses associated with the default and subsequent foreclosure. In lieu of paying the stated coverage percentage, the Company may pay the entire claim amount, take title to the mortgaged property, and subsequently sell the property to mitigate its loss. Pool insurance, which is written on a group of loans in negotiated transactions, provides coverage that ranges up to 100% of the net loss on each individual loan included in the pool, subject to provisions regarding deductibles, caps on individual exposures, and aggregate stop loss provisions which limit aggregate losses to a specified percentage of the total original balances of all loans in the pool.

Traditional primary insurance is issued on an individual loan basis to mortgage bankers, brokers, commercial banks and savings institutions through a network of Company-managed underwriting sites located throughout the country. Traditional primary loans are individually reviewed (except for loans insured under delegated approval programs) and priced according to filed premium rates. In underwriting traditional primary business, the Company generally adheres to the underwriting guidelines published by the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") or the Federal National Mortgage Association ("FNMA" or "Fannie Mae"), purchasers of many of the loans the Company insures. Delegated underwriting programs allow approved lenders to commit the Company to insure loans provided they adhere to predetermined underwriting guidelines. In 2009, delegated underwriting approvals accounted for approximately 67% of the Company's new traditional primary risk written.

Bulk and other insurance is issued on groups of loans to mortgage banking customers through a centralized risk assessment and underwriting department. These groups of loans are priced in the aggregate, on a bid or negotiated basis. Coverage for insurance issued in this manner can be provided through primary insurance policies (loan level coverage) or pool insurance policies (aggregate coverage). The Company considers transactions designated as bulk insurance to be exposed to higher risk (as determined by characteristics such as origination channel, loan amount, credit quality, and loan documentation) than those designated as other insurance.

Before insuring any loans, the Company issues to each approved customer a master policy outlining the terms and conditions under which coverage will be provided. Primary business is then executed via the issuance of a commitment/certificate for each loan submitted and approved for insurance. In the case of business providing pool coverage, a separate pool insurance policy is issued covering the particular loans applicable to each transaction.

As to all types of mortgage insurance products, the amount of premium charge depends on various underwriting criteria such as loan-to-value ratios, the level of coverage being provided, the borrower's credit history, the type of loan instrument (whether fixed rate/fixed payment or an adjustable rate/adjustable payment), documentation type, and whether or not the insured property is categorized as an investment or owner occupied property. Coverage is non-cancelable by the Company (except in the case of non-payment of premium or certain master policy violations) and premiums are paid under single, annual, or monthly payment plans. Single premiums are paid at the inception of coverage and provide coverage for the entire policy term. Annual and monthly premiums are renewable on their anniversary dates with the premium charge determined on the basis of the original or outstanding loan amount. The majority of the Company’s direct premiums are written under monthly premium plans. Premiums may be paid by borrowers as part of their monthly mortgage payment and passed through to the Company by the servicer of the loan or they may be paid directly by the originator of, or investor in the mortgage loan.

Title Insurance Group

The title insurance business consists primarily of the issuance of policies to real estate purchasers and investors based upon searches of the public records, which contain information concerning interests in real property. The policy insures against losses arising out of defects, liens and encumbrances affecting the insured title and not excluded or excepted from the coverage of the policy. For the year ended December 31, 2009, approximately 39% of the Company’s consolidated title premium and related fee income stemmed from direct operations (which include branch offices of its title insurers and wholly owned subsidiaries of the Company), while the remaining 61% emanated from independent title agents and underwritten title companies.

There are two basic types of title insurance policies: lenders' policies and owners' policies. Both are issued for a one–time premium. Most mortgages made in the United States are extended by mortgage bankers, savings and commercial banks, state and federal agencies, and life insurance companies. The financial institutions secure title insurance policies to protect their mortgagees' interest in the real property. This protection remains in effect for as long as the mortgagee has an interest in the property. A separate title insurance policy may be issued to the owner of the real estate. An owner's policy of title insurance protects an owner's interest in the title to the property.

The premiums charged for the issuance of title insurance policies vary with the policy amount and the type of policy issued. The premium is collected in full when the real estate transaction is closed, there being no recurring fee thereafter. In many areas, premiums charged on subsequent policies on the same property may be reduced depending generally upon the time elapsed between issuance of the previous policies and the nature of the transactions for which the policies are issued. Most of the charge to the customer relates to title services rendered in conjunction with the issuance of a policy rather than to the possibility of loss due to risks insured against. Accordingly, the cost of service performed by a title insurer relates for the most part to the prevention of loss rather than to the assumption of the risk of loss. Claim losses that do occur result primarily from title search and examination mistakes, fraud, forgery, incapacity, missing heirs and escrow processing errors.

In connection with its title insurance operations, Old Republic also provides escrow closing and construction disbursement services, as well as real estate information products, national default management services, and services pertaining to real estate transfers and loan transactions.

Corporate and Other Operations

Corporate and other operations include the accounts of a small life and health insurance business as well as those of the parent holding company and several minor corporate services subsidiaries that perform investment management, payroll, administrative and minor marketing services.

The Company’s small life and health business registered 2009 and 2008 net premium revenues of $73.3 million and $80.1 million, respectively. This business is conducted in both the United States and Canada and consists mostly of limited product offerings sold through financial intermediaries such as automobile dealers, travel agents, and marketing channels that are also utilized in some of Old Republic’s general insurance operations. Production of term life insurance, accounting for net premiums earned of $15.1 million in 2009 and $16.8 million in 2008, was terminated and placed in run off as of year end 2004.

Consolidated Underwriting Statistics

The following table reflects underwriting statistics covering premiums and related loss, expense, and policyholders' dividend ratios for the major coverages underwritten in the Company’s in−surance segments.

	($ in Millions) Years Ended December 31,		
	2009	2008	2007
General Insurance Group:			
Overall Experience:			
Net Premiums Earned	$ 1,782.5	$ 1,989.3	$ 2,155.1
Claim Ratio	75.9%	72.2%	67.4%
Policyholders’ Dividend Benefit	.4	.8	.4
Expense Ratio	25.8	24.2	24.1
Composite Ratio	102.1%	97.2%	91.9%
Experience by Major Coverages:			
Commercial Automobile (Principally Trucking):			
Net Premiums Earned	$ 652.8	$ 694.5	$ 752.4
Claim Ratio	71.3%	75.8%	73.9%
Workers’ Compensation:			
Net Premiums Earned	$ 387.3	$ 418.4	$ 505.6
Claim Ratio	73.9%	67.2%	69.7%
Policyholders’ Dividend Benefit	1.0%	2.2%	1.2%
General Liability:			
Net Premiums Earned	$ 143.2	$ 150.2	$ 168.1
Claim Ratio	65.3%	63.9%	59.8%
Three Above Coverages Combined:			
Net Premiums Earned	$ 1,183.5	$ 1,263.2	$ 1,426.2
Claim Ratio	71.4%	71.5%	70.7%
Financial Indemnity: (a)			
Net Premiums Earned	$ 241.5	$ 319.7	$ 298.0
Claim Ratio	117.8%	95.0%	69.6%
Inland Marine and Commercial Multi-Peril:			
Net Premiums Earned	$ 168.8	$ 192.9	$ 199.3
Claim Ratio	61.4%	58.8%	54.0%

Home and Automobile Warranty:									
Net Premiums Earned	$ 141.6	$ 126.2		$ 129.8					
Claim Ratio	65.2%	61.2%		62.9%					
Other Coverages: (b)									
Net Premiums Earned	$ 50.7	$ 89.5		$ 98.9					
Claim Ratio	45.8%	43.6%		46.7%					
Mortgage Guaranty Group:									
Net Premiums Earned	$ 644.5	$ 592.5		$ 518.2					
Claim Ratio	176.0%	199.3%		118.8%					
Expense Ratio	12.6	15.7		17.7					
Composite Ratio	188.6%	215.0%		136.5%					
Title Insurance Group: (c)									
Net Premiums Earned	$ 611.0	$ 463.1		$ 638.5					
Combined Net Premiums & Fees Earned	$ 888.4	$ 656.1		$ 850.7					
Claim Ratio	7.9%	7.0%		6.6%					
Expense Ratio	93.8	103.6							
Joseph R. Iantosca,	2012		203,475		9,086	36,323	53,377	25,262[8]	327,523
First Senior Vice President and	2011		199,485		10,638	31,894	85,749	23,539	351,305
Chief Administrative Officer of the Bank	2010		195,060		6,117	18,361	84,010	23,426	326,974
Steven J. Tsimbinos, First Senior Vice President and General Counsel	2012		206,040		9,086	36,323	38,607	11,557[9]	301,613

(1) Reflects the value of restricted stock awards granted to the executive officers based on the grant date fair value of the awards. Reflects the value of stock option awards granted to the executive officers based on the grant date fair value of the awards. See note 1 to Company s audited consolidated financial statements for the year ended December 31, 2012, filed with the Company s Form 10-K for assumptions made in the valuation.
(2) Reflects payments made for each respective year under the annual incentive compensation plan.
(3) Reflects earnings on amounts deferred under the Deferral Plan during 2012, 2011 and 2010.
(4) Includes (a) the market value of the ESOP allocation of $7,437 for 2012, $7,521 in 2011 and $9,788 in 2010; (b) Company matching contribution to the 401(k) Plan of $8,750 in 2012 and $8,575 in each of 2011 and 2010; (c) allocations under the SERP of $407,002 in 2012, $226,112 in 2011 and $414,772 in 2010; (d) Company-paid life insurance premiums of $5,757 in 2012 and $5,544 in each of 2011 and 2010; (e) Company-paid long-term disability premiums of $8,981 in each of 2012, 2011 and 2010; (f) Company-provided automobile benefit of $6,400 in 2012, $5,293 in 2011 and $14,707 in 2010; and (g) Company-paid club dues of $11,973 in 2012, $11,578 in 2011 and $11,051 in 2010.
(5) Includes (a) the market value of the ESOP allocation of $7,521 in 2011 and $9,788 in 2010 (no allocation for 2012); (b) Company matching contribution to the 401(k) Plan of $8,383 in 2012 and $8,575 in each of 2011 and 2010; (c) allocations under the SERP of $85,396 in 2012, $77,025 in 2011 and $68,636 in 2010; (d) Company-paid life insurance premiums of $3,606 in 2012, $4,942 in 2011 and $4,847 in 2010; (e) Company-paid long-term disability premiums of $4,811 in each of 2012, 2011 and 2010; (f) Company-provided automobile benefit of $8,663 in 2012, $6,176 in 2011 and $8,866 in 2010; and (g) a severance payment of $968,560 in 2012.
(6) Includes (a) the market value of the ESOP allocation of $7,437 in 2012, $7,521 in 2011 and $9,788 in 2010; (b) Company matching contribution to the 401(k) Plan of $8,750 in 2012, 8,301 in 2011 and $8,299 in 2010; (c) allocations under the SERP of $81,602 in 2012, $74,408 in 2011 and $67,621 in 2010; (d) Company-paid life insurance premiums of $2,570 in 2012, $2,456 in 2011 and $2,405 in 2010; (e) Company-paid long-term disability premiums of $1,799 in each of 2012 and 2011, and $1,740 in 2010; and (f) Company provided automobile benefit of $8,548 in 2012, $7,278 in 2011 and $7,085 in 2010.
(7) Includes (a) the market value of the ESOP allocation of $6,606 in 2012, $6,687 in 2011 and $8,492 in 2010; (b) Company matching contribution to the 401(k) Plan of $7,688 in 2012, $5,856 in 2011 and $5,844 in 2010; (c) Company-paid life insurance premiums of $1,088 in 2012, $704 in 2011 and $691 in 2010; (d) Company-paid long-term disability premiums of $1,220 in each of 2012, 2011 and 2010; and (e) Company-provided automobile benefit of $6,000 in each of 2012, 2011 and 2010.
(8) Includes (a) the market value of the ESOP allocation of $6,044 in 2012, $6,115 in 2011 and $7,778 in 2010; (b) Company matching contribution to the 401(k) Plan of $7,122 in 2012, $6,982 in 2011 and $6,827 in 2010; (c) Company-paid life insurance premiums $984 in 2012, $974 in 2011 and $955 in 2010; (d) Company-paid long-term disability premiums of $1,324 in each of 2012, 2011 and 2010; and (e) Company-provided automobile benefit of $9,788 in 2012, $8,144 in 2011 and $6,542 in 2010.
(9) Includes (a) the market value of the ESOP allocation of $6,120 in 2012; (b) Company matching contribution to the 401(k) Plan of $4,121 in 2012; (c) Company-paid life insurance premiums $187 in 2012; and (d) Company-paid long-term disability premiums of $1,129 in 2012.

For a description of the employment agreements entered into with Messrs. Garbarino, Nardelli and Fitzpatrick, see *Compensation Discussion and Analysis Elements of Compensation Employment Agreements.*

Grants of Plan-Based Awards

The following table sets forth certain information regarding stock options, restricted stock awards and non-equity incentive plan awards to the NEOs and Mr. Nardelli during the Company s fiscal year ended December 31, 2012.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)[2]**	**All Other Option Awards: Number of Securities Underlying Options (#)[3]**	**Exercise or Base Price of Option Awards ($/Sh)[4]**	**Grant Date Fair Value of Stock & Option Awards ($)[5]**
John R. Garbarino	2/15/2012	61,313	245,250	367,875	0	90,000	13.83	242,100
Vito R. Nardelli	2/15/2012	42,075	168,300	252,450	2,190	33,750	13.83	121,076
Michael J. Fitzpatrick	2/15/2012	26,265	105,060	157,590	1,946	30,000	13.83	107,613
Joseph J. Lebel III	2/15/2012	22,032	88,128	132,192	657	10,125	13.83	45,409
Joseph R. Iantosca	2/15/2012	17,628	70,511	105,766	657	10,125	13.83	45,409
Steven J. Tsimbinos	2/15/2012	12,750	51,000	76,500	657	10,125	13.83	45,409

(1) Amounts shown represent the range of potential payouts for fiscal 2012 performance under the 2011 Cash Incentive Compensation Plan. As described in the section titled *Cash Incentive Awards* in the Compensation Discussion and Analysis, the level of actual payouts for 2012 under the Incentive Compensation Plan, were $185,656, $0, $79,531, $66,713, $53,377 and $38,607 for Messrs. Garbarino, Nardelli, Fitzpatrick, Lebel, Iantosca, and Tsimbinos, respectively. The performance period for the non-equity grants was January 1, 2012 through December 31, 2012.

(2) Refers to awards of restricted shares of Company common stock under the Company s 2006 Stock Incentive Plan (the 2006 Stock Plan) and the 2011 Stock Incentive Plan (the 2011 Stock Plan). Awards vest over five years from date of grant.

(3) Refers to awards of stock options under the 2006 Stock Plan and the 2011 Stock Plan. Options vest over five years from date of grant.

(4) Closing price of the underlying shares of Company common stock at the Nasdaq Global Select Market on the date of grant.

(5) Grant date fair value. Reflects the value of restricted stock awards granted to the executive officers based on the grant date fair value of the awards. Reflects the value of stock option awards granted to the executive officers based on the grant date fair value of the awards. See note 1 to Company s audited consolidated financial statements for the year ended December 31, 2012, filed with the Company s Form 10-K for assumptions made in the valuation.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information regarding stock options and stock awards held by the named executive officers of the Company at December 31, 2012:

	Option Awards				Stock Awards	
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable[(1)]**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested[(2)]**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[(3)]**
John R. Garbarino	90,000		23.440	5/30/13		
	90,000		22.525	5/28/14		
	3,430		23.070	1/19/15		
	3,806		20.795	4/20/15		
	63,000		23.475	2/15/16		
	60,750		22.170	2/21/17		
	51,032	12,756	16.810	2/20/18		
	35,722	53,583	10.000	2/17/20		
	18,000	72,000	13.870	2/18/21		
		90,000	13.830	2/15/22		
					600	8,250
					3,270	44,963
Vito R. Nardelli[(4)]						
Michael J. Fitzpatrick	33,000		23.440	5/30/13		
	30,000		22.525	5/28/14		
	1,320		23.070	1/19/15		
	1,464		20.795	4/20/15		
	30,000		23.475	2/15/16		
	20,250		22.170	2/21/17		
	17,012		16.810	2/20/18		
	11,908		10.000	2/17/20		
	6,000		13.870	2/18/21		
		4,251	13.830	2/15/22		
		17,862				

		24,000				
		30,000				
					200	2,750
					1,089	14,974
					1,818	24,998
					1,946	26,758
Joseph J. Lebel III	10,000		22.740	4/28/16		
	4,500		20.250	3/02/17		
	5,672	1,416	16.810	2/20/18		
	3,970	5,955	10.000	2/17/20		
	2,025	8,100	13.870	2/18/21		
		10,125	13.830	2/15/22		
					67	921
					363	4,992
					613	8,429
					657	9,034

(Table continues and footnotes on following pages)

	Option Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(2)	Market Value of Shares or Units of Stock That Have Not Vested($)(3)
Joseph Iantosca	1,250		25.165	2/16/14		
	10,000		22.525	5/28/14		
	554		23.070	1/19/15		
	615		20.795	4/20/15		
	10,000		23.475	2/15/16		
	6,750		20.250	3/2/17		
	5,672	1,416	16.810	2/20/18		
	4,254	2,834	12.280	2/18/19		
	3,970	5,955	10.110	2/11/20		
	2,025	8,100	13.870	2/18/21		
		10,125	13.830	2/15/22		
					67	921
					142	1,953
					363	4,992
					613	8,429
					657	9,034
Steven J. Tsimbinos	3,900	5,850	11.320	9/07/20		
	2,025	8,100	13.870	2/18/21		
		10,125	13.830	2/15/22		
					324	4,455
					613	8,429
					657	9,034

(1) Options vest as to 20% of the shares subject to the grant on each anniversary of the grant date, subject to the executive s continued service on the relevant vesting dates. With respect to Mr. Garbarino s stock options that have not vested, the options for 12,756 shares vest on

February 20, 2013; the options for 53,583 shares vest in equal installments on February 17 of 2013, 2014 and 2015; the options for 72,000 shares vest in equal installments on February 18 of 2013, 2014, 2015 and 2016; and the options for 90,000 shares vest in equal installments on February 15 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Fitzpatrick s stock options that have not vested, the options for 4,251 shares vest on February 20, 2013; the options for 17,862 vest in equal installments on February 17 of 2013, 2014 and 2015; the options for 24,000 shares vest in equal installments on February 18 of 2013, 2014, 2015 and 2016; and the options for 30,000 shares vest in equal installments on February 15 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Lebel s stock options that have not vested, the options for 1,416 shares vest on February 20, 2013; the options for 5,955 shares vest in equal installments on February 17 of 2013, 2014 and 2015; the options for 8,100 shares vest in equal installments on February 18 of 2013, 2014, 2015 and 2016; and the options for 10,125 shares vest in equal installments on February 15 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Iantosca s stock options that have not vested, the options for 1,416 shares vest on February 20, 2013; the options for 2,834 vest in equal installments on February 18 of 2013 and 2014; the options for 5,955 shares vest in equal installments on February 11 of 2013, 2014 and 2015; the options for 8,100 shares vest in equal installments on February 18 of 2013, 2014, 2015 and 2016; and the options for 10,125 shares vest in equal installments on February 15 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr.Tsimbinos s stock options that have not vested, the options for 5,850 shares vest in equal installments on September 7 of 2013, 2014 and 2015; the options for 8,100 shares vest in equal installments on February 18 of 2013, 2014, 2015 and 2016; and the options for 10,125 shares vest in equal installments on February 15 of 2013, 2014, 2015, 2016 and 2017.

(2) With respect to Mr. Garbarino s shares that have not vested, the 600 shares vest on March 1, 2013; and the 3,270 shares vest in equal installments on March 1 of 2013, 2014 and 2015.

With respect to Mr. Fitzpatrick s shares that have not vested, the 200 shares vest on March 1, 2013; the 1,089 shares vest in equal installments on March 1 of 2013, 2014 and 2015; the 1,818 shares vest in equal installments on March 1 of 2013, 2014, 2015 and 2016; and the 1,946 shares vest in equal installments on March 1 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Lebel s shares that have not vested, the 67 shares vest on March 1, 2013; the 363 shares vest in equal installments on March 1 of 2013, 2014 and 2015; the 613 shares vest in equal installments on March 1 of 2013, 2014, 2015 and 2016; and the 657 shares vest in equal installments on March 1 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Iantosca s shares that have not vested, the 67 shares vest on March 1, 2013; the 142 shares vest in equal installments on March 1 of 2013 and 2014; the 363 shares vest in equal installments on March 1 of 2013, 2014 and 2015; the 613 shares vest in equal installments on March 1 of 2013, 2014, 2015 and 2016; and the 657 shares vest in equal installments on March 1 of 2013, 2014, 2015, 2016 and 2017.

With respect to Mr. Tsimbinos s shares that have not vested, the 324 shares vest in equal installments on September 7 of 2013, 2014 and 2015; the 613 shares vest in equal installments on March 1 of 2013, 2014, 2015 and 2016; and the 657 shares vest in equal installments on March 1 of 2013, 2014, 2015, 2016 and 2017.

(3) Market Value computed using the closing price of OceanFirst common stock on December 31, 2012 ($13.75).

(4) Mr. Nardelli had no stock option or unvested stock awards outstanding at December 31, 2012.

Option Exercises and Stock Vested

The following table sets forth certain information regarding exercises of options or vesting of restricted shares during the Company s fiscal year ended December 31, 2012:

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
John R. Garbarino			2,471	33,482
Vito R. Nardelli	18,658	56,695	1,334	18,076
Michael J. Fitzpatrick			1,277	17,303
Joseph J. Lebel III			342	4,634
Joseph R. Iantosca			497	6,837
Steven J. Tsimbinos			262	3,642

Nonqualified Deferred Compensation

Supplemental Executive Retirement Plan

The Bank maintains non-qualified SERPs to provide eligible executive officers with additional retirement benefits. For Messrs. Garbarino and Fitzpatrick, the benefits provided under the SERPs make up the difference between an amount up to 70% of the average of the highest compensation during any four consecutive calendar years and the benefits provided from the Bank s 401(k) Retirement Plan plus the benefits which would have been provided from the Bank s Retirement Plan (Pension Plan) which was frozen in 1996 and terminated in 1998. In

addition, the SERP provides a benefit equal to the benefits lost from the ESOP due to the application of limitations imposed by the Code, as amended, on compensation and maximum benefits under the ESOP. The Bank established irrevocable trusts in connection with the SERPs for Messrs. Garbarino and Fitzpatrick. Each trust is funded with contributions from the Bank for the purpose of providing the benefits promised under the terms of the SERP. The assets of each trust are beneficially owned by the SERP participants, who recognize income as contributions are made to the trust. Earnings on the trust s assets are taxable to the participants. On December 20, 2010, the Bank and Mr. Garbarino entered into an amendment to his SERP Agreement to make a portion of the payments due to Mr. Garbarino contingent upon performance against metrics established by the Compensation Committee to improve the tax deductibility to the Bank of his compensation.

As part of Mr. Maher s SERP arrangement, the Bank shall establish an account for the benefit of his retirement and make scheduled payments to such account. Such account would be paid in full upon the termination of his employment due to his retirement after age 65, resignation for Good Reason (as defined), termination without Cause (as defined) or his death. If Mr. Maher s employment terminates other than as in the preceding sentence, Mr. Maher shall be paid the balance of the account, less contributions for the preceding five years and less any earnings on those forfeited contributions.

Nonqualified Deferred Compensation Plan for Executives

Certain NEOs may participate in the Deferral Plan. This plan allows eligible officers selected by the Bank s Board to defer receipt of up to 100% of base salary and annual bonus pursuant to the terms of the Deferral Plan. The participating executive s deferral is credited to a bookkeeping account and increased on the last day of each month by interest earned at the rate equal to the Stable Fund Rate for the 401(k) Plan plus 250 basis points.

The following table sets forth certain information regarding nonqualified deferred compensation benefits to NEOs of the Company during the Company s fiscal year ended December 31, 2012:

Name	Plan	Executive contributions in last FY ($)	Registrant contributions in last FY ($)(1)	Aggregate earnings in last FY ($)	Aggregate withdrawals/ distributions ($)	Aggregate balance at last FYE ($) (2)
John R. Garbarino			407,002			
	SERP					
	Deferral Plan					
Vito R. Nardelli			85,396			
	SERP					
	Deferral Plan					
Michael J. Fitzpatrick			81,602			
	SERP					
	Deferral Plan			12,718		397,167
Joseph J. Lebel III						
	SERP					
	Deferral Plan					
Joseph R. Iantosca						
	SERP					
	Deferral Plan					
Steven J. Tsimbinos						
	SERP					
	Deferral Plan					

(1) Represents annual SERP contributions. The contributions are held in trust for the irrevocable benefit of SERP participants. Contributions and trust earnings are taxed to participants in the year they are added to the trust. SERP account balances are treated as participant assets, rather than Company assets, and are not reflected on the Company s financial statements.

(2) Excludes SERP account balances.

Potential Payments Upon Termination or Change in Control

The following describes the provisions of contracts, agreements or plans (other than plans available generally to salaried employees that do not discriminate in favor of executive officers) which provide for payments to executive officers at, following or in connection with termination of employment or a change in control of the Company.

Employment Agreements Involuntary or Constructive Termination. The employment agreements of Messrs. Garbarino, Maher and Fitzpatrick provide for certain severance payments in the event employment is terminated by the Company or the Bank without cause or the executive terminates employment under the circumstances described above under *Compensation Discussion and Analysis Elements of Compensation Employment Agreements.* The severance payment provided under the employment agreements would be equal to (i) the amount of remaining payments the executive would receive if he had continued employment during the remaining term of the agreement at the executive s base salary as of the date of termination and (ii) an amount equal to the annual contributions that would have been made on executive s behalf to any employee benefit plans of the Company or the Bank during the remaining term of the agreement based on contributions made as of the date of termination, or in the case of Mr. Maher, if greater, one year s base salary at the time of termination. In addition, the executive would receive continued life, medical, dental and disability coverage for the remaining term of the agreement, or in the case of Mr. Maher, one year, if longer. Payments, other than continued welfare benefits, would be made on a lump sum basis. Payments and benefits would be provided by either the Company or the Bank.

Employment Agreements Involuntary or Constructive Termination Following Change in Control. The employment agreements for Messrs. Garbarino, Maher and Fitzpatrick provide for certain payments if the officer s employment is terminated by the Company or the Bank following a change in control due to (i) the executive s dismissal, other than for cause, or (ii) the executive s voluntary resignation following any failure to reelect the executive to his current offices, a material change in the executive s functions, duties or responsibilities, a material change in the executive s principal place of employment, material reduction in the executive s salary, or material breach of the employment agreement unless such termination is due to death or for cause, as defined in the agreement.

A change in control means a change in control of the Company or the Bank involving (a) an event reportable on Form 8-K pursuant to Section 13 or 15(d) of the Exchange Act; (b) a Change in Control within the meaning of the Home Owners Loan Act of 1933, the Federal Deposit Insurance Act or Office of the Comptroller of the Currency regulations; (c) a person becoming beneficial owner, directly or indirectly, of 20% the outstanding securities of the Company or the Bank; (d) a change in majority control of the Board of Directors of the Company, other than a change approved by the incumbent board; (e) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Company or the Bank in which either entity is not the survivor; (f) a distribution soliciting proxies for stockholder approval of a plan of reorganization, merger or consolidation of the Company or the Bank as a result of which the outstanding shares of the class of securities then subject to the plan would be exchanged for or converted into cash or property or securities not issued by either entity; or (g) a tender offer is made for 20% or more of the voting securities of the Company or the Bank.

If the change in control benefit is triggered, the officer is entitled to a benefit equal to the greater of (A) three times the executive s average annual compensation paid in the preceding five taxable years (or a lesser number of years if the executive has been with the Company for less than five years) or (B) the payments due for the remaining term of the agreement. In addition, the executive would become entitled to continued life, medical, dental and disability coverage for 36 months following the change in control. In the event payments and benefits under employment agreements, together with other payments and benefits he may receive, would constitute an excess parachute payment under section 280G of the Code, the employment agreements do not provide for tax gross-ups. Rather, they provide that the executive would be entitled to the greater of (i) the total net-after tax benefit or (ii) the net-after tax benefit after reduction of the aggregate payment to an amount $1.00 less than the executive s base amount, which is three times the executive s average taxable compensation for the five tax years ending with the tax year prior to the change in control. Payments, other than continued welfare benefits, would be made on a lump sum basis. Payments under the employment agreements and CIC agreements described below in the event of a change in control may constitute some portion of an excess parachute payment under section 280G of the Code for executive officers, resulting in the imposition of an excise tax on the recipient and denial of the deduction for such excess amounts to the Company and the Bank. Benefits would be provided by the Company or the Bank, but not both.

Change in Control Agreements Involuntary or Constructive Termination Following Change in Control. The CIC Agreements with Messrs. Lebel, Iantosca and Tsimbinos provide for certain payments if the officer s employment is terminated by the Company or the Bank following a change in control due to (i) the executive s dismissal other than for cause or (ii) the executive s voluntary resignation following any failure to re-elect the executive to his current offices, a material change in the executive s functions, duties or responsibilities, a material change in the executive s principal place of employment, a material change in the executive s salary, or a material breach of the CIC Agreement by the Company or the Bank, unless such termination is due to death or for cause, as defined in the agreement.

For purposes of the CIC Agreements, the definition of Change in Control is the same as described above under *Employment Agreements Involuntary or Constructive Termination Following a Change of Control*.

If the change in control benefit is triggered, the officer is entitled to a benefit equal to two times the executive s average annual compensation paid in the most recent five taxable years (or a lesser number of years if the executive has been with the Company for less than five years). In addition, the executive would become entitled to continued life, medical, dental and disability coverage for 36 months following the change in control. In the event payments and benefits under the CIC Agreements, together with other payments and benefits he may receive, would constitute an excess parachute payment under section 280G of the Code, the CIC Agreements do not provide for tax gross-ups. Rather, they provide that the executive would be entitled to the greater of (i) the total net-after tax benefit or (ii) the net-after tax benefit after reduction of the aggregate payment to an amount $1.00 less than the executive s base amount, which is three times the executive s average taxable compensation for the five tax years ending with the tax year prior to the change in control. Payments, other than continued welfare benefits, would be made on a lump sum basis. Benefits would be provided by the Company or the Bank, but not both.

Equity Incentive Plan Change in Control Grant. In the event of a change in control, each of the 2006 Stock Plan and the 2011 Stock Plan provides that each option award under the plan will become fully exercisable and remain exercisable for the duration of its term and all restricted stock awards will become fully vested. In addition, each such plan provides that all stock available for grant under the plan will be automatically granted to employees and outside directors in proportion to the grants of awards previously made under the 2011 Stock Plan, the 2006 Stock Plan and the Company s 2000 Stock Option Plan. Under these plans, Change in Control has substantially the same meaning as described above under *Employment Agreements Involuntary or Constructive Termination Following a Change in Control*.

Supplemental Executive Retirement Plan Involuntary or Constructive Termination. In the event of a change in control SERP participants are entitled to a lump sum contribution equal to the supplemental retirement income benefit contribution required for the year in which the change in control occurs plus the present value of the total supplemental retirement income benefit contributions which would have been required for the three years following the year in which the change in control occurs.

Summary of Potential Payments Upon Termination or Change in Control. The following tables summarize potential payments to each executive officer listed on the summary compensation table assuming a triggering termination of employment occurred on December 31, 2012. The tables do not reflect benefits under plans that do not discriminate in favor of executive officers and are available generally to all salaried employees.

John R. Garbarino

Payments and Benefits	Involuntary or Constructive Termination	Change in Control	Involuntary or Constructive Termination following a Change in Control(1)	Death
Cash Compensation	$ 2,208,151(2)		$ 3,405,687	
Value of Continued Health and Welfare Benefits	44,168(3)		83,687(3)	
Acceleration of Stock and Option Awards		$ 254,149(4)		$ 254,149(4)
Automatic Stock Grant		4,540,154(5)		
SERP Contribution		1,089,604(6)		1,111,941(7)
Total	$ 2,252,319	$ 5,883,907	$ 3,489,374	$ 1,366,090

(1) Executive would also receive benefits set forth under Change in Control.

(2) Represents estimated lump sum payments and benefits due for the remaining term of the employment agreement based on current year levels of base salary, incentive plan payment and employee benefit plan contributions.
(3) Approximate lump sum value of continued life, medical, dental and disability coverage for remaining term of employment agreement (36 months in the case of a termination following a change in control).
(4) Represents the value of accelerated vesting of 3,870 shares of restricted Company stock and stock options covering 228,339 shares of Company stock. Stock options that become vested due to a change in control or death are valued based on their option spread (i.e, the difference between the fair market value of a share of common stock at the time of the change in control or death and the exercise price).
(5) Represents the value of an automatic change in control award of 6,992 shares of Company common stock under the 2006 Stock Plan and 323,201 shares of Company common stock under the 2011 Stock Plan based on the number of shares remaining in those plans as of December 31, 2012.
(6) Represents the value of the lump sum change in control SERP contribution equal to the present value of the contributions that would be required for the two years following the change in control.
(7) Represents the lump sum value of the remaining SERP contributions that would be required following the death of the executive.

Michael J. Fitzpatrick

Payments and Benefits	**Involuntary or Constructive Termination**	**Change in Control**	**Involuntary or Constructive Termination following a Change in Control**[(1)]	**Death**
Cash Compensation	$ 1,223,926[(2)]		$ 1,281,986	
Value of Continued Health and Welfare Benefits	69,753[(3)]		81,003[(3)]	
Acceleration of Stock and Option Awards		$ 136,467[(4)]		$ 136,467[(4)]
Automatic Stock Grant		1,687,730[(5)]		
SERP Contribution		279,648[(6)]		981,179[(7)]
Total	$ 1,293,679	$ 2,103,845	$ 1,362,989	$ 1,117,646

(1) Executive would also receive benefits set forth under Change in Control.
(2) Represents estimated lump sum payments and benefits due for the remaining term of the employment agreement based on current year levels of base salary, incentive plan payment and employee benefit plan contributions.
(3) Approximate lump sum value of continued life, medical, dental and disability coverage for remaining term of employment agreement (36 months in the case of a termination following a change in control).
(4) Represents the value of accelerated vesting of 5,053 shares of restricted Company stock and stock options covering 76,113 shares of Company stock. Stock options that become vested due to a change in control or death are valued based on their option spread (i.e, the difference between the fair market value of a share of common stock at the time of the change in control or death and the exercise price).
(5) Represents the value of an automatic change in control award of 2,599 shares of Company common stock under the 2006 Stock Plan and 120,145 shares of Company common stock under the 2011 Stock Plan based on the number of shares remaining in those plans as of December 31, 2012.
(6) Represents the value of the lump sum change in control SERP contribution equal to the present value of the contributions that would be required for the three years following the change in control.
(7) Represents the lump sum value of the remaining SERP contributions that would be required following the death of the executive.

Joseph J. Lebel III

Payments and Benefits	Involuntary or Constructive Termination	Change in Control	Involuntary or Constructive Termination following a Change in Control[(1)]	Death
Cash Compensation			$ 572,926	
Value of Continued Health and Welfare Benefits			79,842[(2)]	
Acceleration of Stock and Option Awards		$ 45,715[(3)]		$ 45,715[(3)]
Automatic Stock Grant		368,761[(4)]		
Total		$ 414,476	$ 652,768	$ 45,715

(1) Executive would also receive benefits set forth under Change in Control.
(2) Approximate lump sum value of continued life, medical, dental and disability coverage for 36 months following termination.
(3) Represents the value of accelerated vesting of 1,700 shares of restricted Company stock and stock options covering 25,596 shares of Company stock. Stock options that become vested due to a change in control or death are valued based on their option spread (i.e, the difference between the fair market value of a share of common stock at the time of the change in control or death and the exercise price).
(4) Represents the value of an automatic change in control award of 544 shares of Company common stock under the 2006 Stock Plan and 26,275 shares of Company common stock under the 2011 Stock Plan based on the number of shares remaining in those plans as of December 31, 2012.

Joseph R. Iantosca

Payments and Benefits	Involuntary or Constructive Termination	Change in Control	Involuntary or Constructive Termination following a Change in Control[(1)]	Death
Cash Compensation			$ 553,475	
Value of Continued Health and Welfare Benefits			79,988[(2)]	
Acceleration of Stock and Option Awards		$ 51,180[(3)]		$ 51,180[(3)]
Automatic Stock Grant		434,747[(4)]		
Total		$ 485,927	$ 633,463	$ 51,180

(1) Executive would also receive benefits set forth under Change in Control.
(2) Approximate lump sum value of continued life, medical, dental and disability coverage for 36 months following termination.
(3) Represents the value of accelerated vesting of 1,842 shares of restricted Company stock and stock options covering 28,430 shares of Company stock. Stock options that become vested due to a change in control or death are valued based on their option spread (i.e, the difference between the fair market value of a share of common stock at the time of the change in control or death and the exercise price).
(4) Represents the value of an automatic change in control award of 638 shares of Company common stock under the 2006 Stock Plan and 30,980 shares of Company common stock under the 2011 Stock Plan based on the number of shares remaining in those plans as of December 31, 2012.

Steven J. Tsimbinos

Payments and Benefits	Involuntary or Constructive Termination	Change in Control	Involuntary or Constructive Termination following a Change in Control(1)	Death
Cash Compensation			$ 279,067	
Value of Continued Health and Welfare Benefits			78,807(2)	
Acceleration of Stock and Option Awards		$ 36,141(3)		$ 36,141(3)
Automatic Stock Grant		185,680(4)		
Total		$ 221,821	$ 357,874	$ 36,141

(1) Executive would also receive benefits set forth under Change in Control.
(2) Approximate lump sum value of continued life, medical, dental and disability coverage for 36 months following termination.
(3) Represents the value of accelerated vesting of 1,594 shares of restricted Company stock and stock options covering 24,075 shares of Company stock. Stock options that become vested due to a change in control or death are valued based on their option spread (i.e, the difference between the fair market value of a share of common stock at the time of the change in control or death and the exercise price).
(4) Represents the value of an automatic change in control award of 214 shares of Company common stock under the 2006 Stock Plan and 13,290 shares of Company common stock under the 2011 Stock Plan based on the number of shares remaining in those plans as of December 31, 2012.

DIRECTOR COMPENSATION

The following table sets forth certain information regarding compensation earned by or paid to the Directors during the Company s fiscal year ended December 31, 2012:

Name	Fees Earned or Paid in Cash ($)1	Stock Awards ($)2	Option Awards ($)3	Nonqualified Deferred Compensation Earnings ($)4	All Other Compensation ($)5	Total ($)
Joseph J. Burke	64,000	9,364	9,418		14,976	97,758
Angelo Catania	60,000	9,364	9,418		11,295	90,077
John W. Chadwick	57,600	9,364	9,418		11,521	87,903
Donald E. McLaughlin	58,400	9,364	9,418		11,295	88,477
Diane F. Rhine	66,875	9,364	9,418		11,295	96,952
Mark G. Solow	54,400	9,364	9,418		11,295	84,477
John E. Walsh	66,400	9,364	9,418			85,182

(1) Aggregate dollar amount of all fees earned or paid in cash for services as a director, including annual retainer fees, committee and/or chairmanship fees, and meeting fees.
(2) For awards of stock, the amounts presented above reflect the full grant date fair value. Each director received an award of 681 shares of restricted stock in 2012. The grant date fair value of these stock awards is expensed over a five-year vesting period. Each of the directors, other than Mr. Solow, had 1,889 shares of restricted stock unvested at the end of 2012. Mr. Solow had 1,181 shares of restricted stock unvested at the end of 2012.

(3) For awards of stock options, the amounts are based on the grant date fair value. Each director received a grant of 3,500 stock options in 2012. Each of the directors had vested and unvested options to purchase the following number of shares of Company common stock outstanding at the end of 2012: Mr. Burke, 20,286; Mr. Catania, 20,286; Mr. Chadwick, 30,286; Mr. McLaughlin, 30,286; Ms. Rhine, 30,286; Mr. Solow, 3,500; and Mr. Walsh, 30,286.
(4) Reflects above-market or preferential earnings on non-tax-qualified deferred compensation.
(5) Company paid medical benefits.

Cash and Stock Retainers and Meeting Fees for Non-Employee Directors. The following tables set forth the applicable retainers and fees that are paid to non-employee directors for their service on the Board of Directors of the Bank and the Board of Directors of the Company. Until a Director attains the stock ownership levels required under the Guidelines for directors, the Company and Bank retainers are paid in the form of Company stock.

Directors of OceanFirst Bank:	
Annual Retainer	$ 15,000(paid in quarterly installments)
Fee per Board Meeting (Regular or Special)	$ 1,000
Fee per Committee Meeting	$ 800
Directors of OceanFirst Financial Corp.:	
Annual Retainer	$ 20,000(paid in quarterly installments)
Additional Annual Cash Retainer for the Chairperson of:	
each of the Audit Committee, the Corporate Governance/Nominating Committee, the Compensation Committee and the Risk Committee:	$ 8,000

Deferred Compensation Plan for Directors. The Bank maintains a deferred compensation plan for the benefit of outside directors. The plan is a non-qualified arrangement which offers participating directors the opportunity to defer compensation through a reduction in fees in lieu of a promise of future benefits. Such benefits are payable commencing at an age mutually agreed upon by the Bank and the participating director (the Benefit Age). The benefits equal the account balance of the director annuitized over a period of time mutually agreed upon by the Bank and the director, and then reannuitized at the beginning of each calendar year thereafter. Lump sum payouts are also available upon eligibility for distribution of benefits or in the event of the death of the director. The account balance equals deferrals and interest. Currently, the plan credits interest on deferrals at a rate equal to the sum of (i) the Stable Fund investment option in the Bank s qualified 401(k) plan plus (ii) 250 basis points. Early distribution of benefits may occur under certain circumstances which include change in control, financial hardship, termination for cause, disability or termination of the plan by authorization of the Board of Directors.

HUMAN RESOURCES/COMPENSATION COMMITTEE REPORT

The following is the report of the Human Resources/Compensation Committee with respect to the Company s Compensation Discussion and Analysis for the fiscal year ended December 31, 2012:

The Human Resources/Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management of the Company. Based on the review and discussions, the Human Resources/Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s annual report on Form 10-K for the fiscal year ended December 31, 2012 and the Company s proxy statement for the annual meeting of stockholders to be held on May 8, 2013.

The Human Resources/Compensation Committee

Diane F. Rhine, Chairperson

Mark G. Solow

John E. Walsh

The above report of the Human Resources/Compensation Committee does not constitute soliciting material and should not be deemed to be filed with the Commission or incorporated by reference into any other filing of the Company under the Securities Act of 1933 or the Exchange Act, except to the extent that the Company specifically incorporates this report by reference in any of those filings.

HUMAN RESOURCES/COMPENSATION COMMITTEE INTERLOCKS

AND INSIDER PARTICIPATION

No person serving as a member of the Human Resources/Compensation Committee, Diane F. Rhine, Mark G. Solow, John E. Walsh or Angelo Catania, during the past fiscal year, is or was a current or former officer or employee of the Company or the Bank or engaged in certain transactions with the Company or the Bank that are required to be disclosed by Commission regulations. See *Transactions With Management Other Transactions*. Additionally, there are no compensation committee interlocks, which generally means that no executive officer of the Company or the Bank served as a director or member of the compensation committee of another entity, one of whose executive officers serves as a Director or member of the Human Resources/Compensation Committee.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires the Company s executive officers and directors, and persons who own more than 10% of a registered class of the Company s equity securities, to file reports of ownership and changes in ownership with the Commission. Executive officers, directors and greater than 10% stockholders are required by Commission regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on a review of copies of such reports it has received and written representations provided to the Company from the individuals required to file the reports, the Company believes that each of the Company s executive officers and directors, and greater than 10% beneficial owners have complied with all applicable reporting requirements for transactions in the Company s common stock during the fiscal year ended December 31, 2012.

TRANSACTIONS WITH MANAGEMENT

Loans and Extensions of Credit

The Sarbanes-Oxley Act of 2002 generally prohibits loans by the Company to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans by OceanFirst Bank to its executive officers and directors as long as they are made in compliance with federal banking regulations. The Bank s policies require that all transactions between the Bank and its executive officers, directors, holders of 10% or more of the shares of any class of its common stock, and affiliates thereof, contain terms no less favorable to the Bank than could have been obtained by it in arm s length negotiations with unaffiliated persons and must be prior approved by a majority of independent outside directors of the Bank not having any interest in the transaction. All loans made by the Bank to its executive officers and directors were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with other persons, and did not involve more than the normal risk of collectibility or present other unfavorable features.

Notwithstanding the above, the Bank offers to executive officers certain loans on terms not available to the public but available to all other full-time employees, as permitted under federal banking regulations. The Bank has a policy of providing mortgage, home equity and auto loans to officers and employees who have completed one year of service, at a rate that is 1% below the Bank s prevailing rate for the specific type of loan. The following chart reflects loans outstanding to executive officers and immediate family members sharing the same household as the executive officer, which were made at the discounted interest rate and which exceed $120,000 in the period presented. The information is presented as of December 31, 2012:

OCEANFIRST BANK CREDIT EXTENSIONS TO INSIDERS

AS OF DECEMBER 31, 2012

NAME	*POSITION*	*LOAN TYPE*	*LARGEST AMOUNT OF PRINCIPAL OUTSTANDING IN 2012*	*PRINCIPAL OUTSTANDING AS OF DECEMBER 31, 2012*	*PRINCIPAL PAID IN 2012*	*INTEREST PAID IN 2012*	*CURRENT RATE*
Joseph R. Iantosca	First Senior Vice President, Chief Administrative Officer of the Bank	First Mortgage	$ 533,254	$ 515,159	$ 18,095	$ 10,175	1.875%

Other Transactions

The Board of Directors has placed a moratorium on any transactions between the Company and Bank and any director, their family members or affiliated entities. No such transactions took place in 2012.

CORPORATE GOVERNANCE/NOMINATING COMMITTEE PROCEDURES

General

It is the policy of the Company s Corporate Governance/Nominating Committee to consider director candidates recommended by stockholders who appear to be qualified to serve on the Company s Board of Directors. The Corporate Governance/Nominating Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the Corporate Governance/Nominating Committee does not perceive a need to increase the size of the Board of Directors. In order to avoid the unnecessary use of the Corporate Governance/Nominating Committee s resources, the Corporate Governance/Nominating Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

Procedures to be Followed by Stockholders

To submit a recommendation of a director candidate to the Corporate Governance/Nominating Committee, a stockholder should submit the following information in writing, addressed to the Chairman of the Corporate Governance/Nominating Committee, care of the Corporate Secretary, at the main office of the Company:

(1) The name of the person recommended as a director candidate;

(2) All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Exchange Act, as amended;

(3) The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serving as a director if elected;

(4) As to the stockholder making the recommendation, the name and address, as they appear on the Company s books, of such stockholder; provided, however, that if the stockholder is not a registered holder of the Company s common stock, the stockholder should submit his or her name and address along with a current written statement from the record holder of the shares that reflects ownership of the Company s common stock; and

(5) A statement disclosing whether such stockholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company s annual meeting of stockholders, the recommendation must be received by the Corporate Governance/Nominating Committee at least 120 calendar days prior to the date the Company s proxy statement was released to stockholders in connection with the previous year s annual meeting, advanced by one year.

Criteria for Director Nominees

The Corporate Governance/Nominating Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. The same criteria are used for persons nominated by the Committee or by a stockholder. First a candidate must meet the eligibility requirements set forth in the Company s bylaws, which include an age limitation. A candidate also must meet any qualification requirements set forth in any Board or committee governing documents.

The Corporate Governance/Nominating Committee will consider the following criteria in selecting nominees: financial, regulatory and business experience; familiarity with and participation in the local community; integrity, honesty and reputation; dedication to the Company and its stockholders; independence; and any other factors the Corporate Governance/Nominating Committee deems relevant, including age, diversity of skills, size of the Board of Directors and regulatory disclosure obligations.

The Corporate Governance/Nominating Committee may weigh the foregoing criteria differently in different situations, depending on the composition of the Board of Directors at the time, and whether a director is expected to retire in the near future. While no single nominee may possess all of the skills needed to be a director, the Committee seeks to maintain a diversity of skills among the board members necessary for the optimal functioning of the Board in its oversight of the Company. The Committee will strive to maintain at least one director who meets the definition of audit committee financial expert under the Commission s regulations.

In addition, prior to nominating an existing director for re-election to the Board of Directors, the Corporate Governance/Nominating Committee will consider and review an existing director s Board and committee attendance and performance; length of Board service; experience, skills and contributions that the existing director brings to the Board; and independence.

Process for Identifying and Evaluating Nominees

Pursuant to the Corporate Governance/Nominating Committee Charter as approved by the Board, the Corporate Governance/Nominating Committee is charged with the central role in the process relating to director nominations, including identifying, interviewing and selecting individuals who may be nominated for election to the Board of Directors. The process the committee follows when it identifies and evaluates individuals to be nominated for election to the Board of Directors is as follows:

Identification. For purposes of identifying nominees for the Board of Directors, the Corporate Governance/Nominating Committee relies on personal contacts of the committee and other members of the Board of Directors as well as its knowledge of members of the Company s local communities. The Corporate Governance/Nominating Committee will also consider director candidates recommended by stockholders in accordance with the policy and procedures set forth above. The Corporate Governance/Nominating Committee has not received any recommended nominees from the Company s stockholders to be considered for election at this annual meeting. The Corporate Governance/Nominating Committee has not previously used and does not currently use an independent search firm to identify or evaluate potential director nominees.

Evaluation. In evaluating potential director candidates, the Corporate Governance/Nominating Committee determines whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, the Corporate Governance/Nominating Committee will conduct a check of the individual s background and interview the candidate.

ADDITIONAL INFORMATION

Stockholder Proposals

In order to be eligible for inclusion in the Corporation s proxy materials for next year s Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at the Corporation s main office at 975 Hooper Avenue, Toms River, New Jersey 08754, no later than November 30, 2013. If next year s Annual Meeting is held on a date more than 30 calendar days from May 8, 2014, a stockholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation for such Annual Meeting. Any stockholder proposals will be subject to the requirements of the proxy rules adopted by the Commission.

Stockholder Nominations

The Company s Bylaws provide that in order for a stockholder to make nominations for the election of directors or proposals for business to be brought before the Annual Meeting, a stockholder must deliver notice of such nominations and/or proposals to the Corporate Secretary not less than 90 days before the date of the Annual Meeting; provided that if less than 100 days notice or prior public disclosure of the date of the Annual Meeting is given to stockholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the date of the Annual Meeting was mailed to stockholders or prior public disclosure of the meeting date was made. Stockholders must comply with the Company s procedures to be followed by stockholders to submit a recommendation of a director candidate. See *Corporate Governance/Nominating Committee Procedures*. A copy of the full text of the Bylaw provisions discussed above may be obtained by writing the Corporate Secretary at 975 Hooper Avenue, Toms River, New Jersey 08754-2009.

Stockholder Communications

The Company encourages stockholder communications to the Board of Directors and/or individual directors. Communications regarding financial or accounting policies may be made to the Chairman of the Audit Committee, Joseph J. Burke, CPA, at the Company s address. Other communications to the Board of Directors may be made to the Chairman of the Corporate Governance/Nominating Committee, John E. Walsh, at the Company s address. Communications to individual directors may be made to such director at the Company s address.

In addition, the Board of Directors encourages directors to attend the Annual Meeting of Stockholders. All directors then appointed attended the annual meeting of stockholders held on May 10, 2012.

MISCELLANEOUS

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the Company 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 receiving additional compensation. The Company will pay Georgeson Inc., a proxy solicitation firm, a fee of $6,000 plus expenses to assist the Company in soliciting proxies.

The Company s Annual Report to Stockholders has been mailed to persons who were stockholders as of the close of business on March 12, 2013. Any stockholder who has not received a copy of the Annual Report may obtain a copy by writing to the Corporate Secretary of the Company. The Annual Report is not to be treated as part of the proxy solicitation material or as having been incorporated in this proxy statement by reference.

Important Notice Regarding the Availability of Proxy Materials for the

Stockholders Meeting to Be Held on May 8, 2013

The proxy statement and Annual Report to Stockholders are available on the Company s website (www.oceanfirst.com).

A copy of the Company s Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission may be accessed through the Company s website (www.oceanfirst.com). A copy of the Form 10-K (without exhibits) will be furnished without charge to persons who were stockholders as of the close of business on March 12, 2013 upon written request to Jill Apito Hewitt, Senior Vice President and Investor Relations Officer, OceanFirst Financial Corp., 975 Hooper Avenue, Toms River, New Jersey 08754.

If you and others who share your address own your shares in street name, your broker or other holder of record may be sending only one annual report and proxy statement to your address. This practice, known as householding, is designed to reduce the printing and postage costs. However, if a stockholder residing at such an address wishes to receive a separate Annual Report or proxy statement in the future, he or she should contact the broker or other holder of record. If you own your shares in street name and are receiving multiple copies of the annual report and proxy statement, you can request householding by contacting your broker or other holder of record.

Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning the enclosed proxy card in the enclosed envelope. If you plan on attending and need directions to the meeting place, please contact Jill Apito Hewitt, Senior Vice President and Investor Relations Officer, OceanFirst Financial Corp., 975 Hooper Avenue, Toms River, New Jersey 08754.

By Order of the Board of Directors

Steven J. Tsimbinos

Corporate Secretary

Toms River, New Jersey

March 29, 2013

You are cordially invited to attend the Annual Meeting of Stockholders in person. Whether or not you plan to attend the Annual Meeting, you are requested to sign, date and promptly return the accompanying proxy card in the enclosed postage-paid envelope.

ANNUAL MEETING OF STOCKHOLDERS OF

OCEANFIRST FINANCIAL CORP.

May 8, 2013

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL:

The Notice of Meeting, proxy statement and proxy card

are available at www.oceanfirst.com.

Please sign, date and mail

your proxy card in the

envelope provided as soon

as possible.

i Please detach along perforated line and mail in the envelope provided. i

¢ 20203300000000001000 6 050813

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES AS DIRECTORS SPECIFIED IN PROPOSAL 1

1. Election of Directors:

NOMINEES:

¨ **FOR ALL NOMINEES**

¨ **WITHHOLD AUTHORITY FOR ALL NOMINEES**

¡ Donald E. McLaughlin

¡ John E. Walsh

¨ **FOR ALL EXCEPT**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR PROPOSALS 2 AND 3.

	FOR	AGAINST	ABSTAIN
2. Advisory vote on the compensation of the Company s named executive officers.	¨	¨	¨
3. The ratification of the appointment of KPMG LLP as independent registered public accounting firm of the Company for the fiscal year ending December 31, 2013.	¨	¨	¨

(See instructions below)

The undersigned acknowledges receipt from the Company prior to the execution of this proxy of a Notice of Annual Meeting, an Annual Report to Stockholders and a Proxy Statement dated March 29, 2013.

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

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark **FOR ALL EXCEPT** and fill in the circle next to each nominee you wish to withhold, as shown here: l

I plan to attend the Meeting. ¨

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ¨

Signature of Stockholder Date: Signature of Stockholder Date:

Note: Please sign exactly as your name or names appear on this proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

¢ ¢

0

OCEANFIRST FINANCIAL CORP.

ANNUAL MEETING OF STOCKHOLDERS

May 8, 2013

10:00 a.m.

THIS PROXY IS SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints the Proxy Committee of the Board of OceanFirst Financial Corp. (the Company), each with full power of substitution to act as attorneys and proxies for the undersigned and to vote all shares of Common Stock of the Company which the undersigned is entitled to vote only at the Annual Meeting of Stockholders, to be held at The Crystal Point Yacht Club, 3900 River Road, at the intersection of State Highway 70, Point Pleasant, New Jersey on May 8, 2013, at 10:00 a.m. and at any and all adjournments thereof.

This proxy is revocable and will be voted as directed, but if no instructions are specified, this proxy will be voted FOR each of the nominees as directors specified under Proposal 1 and FOR Proposals 2 and 3. If any other business is presented at the meeting, this proxy will be voted the Proxy Committee in its best judgment. At the present time, the Board of Directors knows of no other business to be presented at the Meeting.

(Continued and to be signed on the reverse side)

14475