

ESSA Bancorp, Inc.  
Form S-1  
December 07, 2006  
Table of Contents

As filed with the Securities and Exchange Commission on December 7, 2006

Registration No. 333-\_\_\_\_\_

---

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM S-1**  
**REGISTRATION STATEMENT**

*UNDER*

*THE SECURITIES ACT OF 1933*

**ESSA BANCORP, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Pennsylvania**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**6712**  
(Primary Standard Industrial  
Classification Code Number)  
**200 Palmer Street**

**Being applied for**  
(I.R.S. Employer  
Identification Number)

**Stroudsburg, Pennsylvania 18360**

**(570) 421-0531**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Registrant's Principal Executive Offices)

**Gary S. Olson**

**200 Palmer Street**

**Stroudsburg, Pennsylvania 18360**

**(570) 421-0531**

# Edgar Filing: ESSA Bancorp, Inc. - Form S-1

(Address, Including Zip Code, and Telephone Number, Including Area Code, of

Agent for Service)

*Copies to:*

**John J. Gorman, Esq.**

**Marc P. Levy, Esq.**

**Luse Gorman Pomerenk & Schick, P.C.**

**5335 Wisconsin Avenue, N.W., Suite 400**

**Washington, D.C. 20015**

**(202) 274-2000**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: x

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: "

If the delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box: "

## CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, \$0.01 par value per share	15,565,825 shares (1)	\$10.00	\$155,658,250(2)	\$16,656
Participation Interests	431,693 interests			(3)

(1) Includes shares to be issued to the ESSA Bank & Trust Foundation, a private foundation.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) The securities of ESSA Bancorp, Inc. to be purchased by the ESSA Bank & Trust 401(k) Plan are included in the amount shown for common stock. However, pursuant to Rule 457(h) of the Securities Act of 1933, as amended, no separate fee is required for the

## Edgar Filing: ESSA Bancorp, Inc. - Form S-1

participation interests. Pursuant to such rule, the amount being registered has been calculated on the basis of the number of shares of common stock that may be purchased with the current assets of such plan.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

---

**Table of Contents**

**PROSPECTUS**

**ESSA BANCORP, INC.**

**(Proposed Holding Company for ESSA Bank & Trust)**

**Up to 12,650,000 Shares of Common Stock**

ESSA Bancorp, Inc., a Pennsylvania corporation, is offering shares of common stock for sale in connection with the conversion of ESSA Bank & Trust, a Pennsylvania-chartered savings association, from the mutual to the stock form of organization. All shares of common stock are being offered for sale at a price of \$10.00 per share. Shares of our common stock have been approved for trading on the Nasdaq Global Market under the symbol ESSA. There is currently no public market for the shares of our common stock. We also intend to contribute up to 7.0% of the shares of common stock of ESSA Bancorp, Inc. that will be sold in the offering, and up to \$1.5 million in cash, to a charitable foundation established by ESSA Bank & Trust.

We are offering up to 12,650,000 shares of common stock for sale on a best efforts basis. We may sell up to 14,547,500 shares of common stock because of demand for the shares, changes in market conditions or regulatory considerations without resoliciting subscribers. We must sell a minimum of 9,350,000 shares in order to complete the offering.

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

First, to depositors of ESSA Bank & Trust with aggregate account balances of at least \$50 as of the close of business on April 30, 2005.

Second, to ESSA Bank & Trust's tax-qualified employee benefit plans.

Third, to depositors of ESSA Bank & Trust with aggregate account balances of at least \$50 as of the close of business on \_\_\_\_\_.

Fourth, to depositors of ESSA Bank & Trust as of \_\_\_\_\_ and to borrowers of ESSA Bank & Trust as of \_\_\_\_\_ whose borrowings remained outstanding as of \_\_\_\_\_.

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering. We also may offer for sale shares of common stock not purchased in the subscription offering or community offering through a syndicated community offering managed by Ryan Beck & Co., Inc.

The minimum number of shares of common stock you may order is 25 shares. The maximum number of shares of common stock that can be ordered through a single qualifying account is 35,000 shares. The offering is expected to expire at 12:00 Noon, Eastern time, on \_\_\_\_\_. We may extend this expiration date without notice to you until \_\_\_\_\_, unless the Office of Thrift Supervision approves a later date, which may not be beyond \_\_\_\_\_. Once submitted, orders are irrevocable unless the offering is terminated or is extended beyond \_\_\_\_\_, or the number of shares of common stock to be sold is increased to more than 14,547,500 shares or decreased to less than 9,350,000 shares. If the offering is extended beyond \_\_\_\_\_, or if the number of shares of common stock to be sold is increased to more than 14,547,500 shares or decreased to less than 9,350,000 shares, we will resolicit subscribers, giving them an opportunity to change or cancel their orders. Funds received during the offering will be held in a segregated account at ESSA Bank & Trust and will earn interest at our passbook savings rate, which is currently \_\_%.

Ryan Beck & Co., Inc. will assist us in selling shares of our common stock on a best efforts basis. Ryan Beck & Co., Inc. is not required to purchase any shares of the common stock that are being offered for sale. Purchasers will not pay a commission to purchase shares of common

stock in the offering.

**This investment involves a degree of risk, including the possible loss of your investment.**

Please read **Risk Factors** beginning on page 18.

**TERMS OF THE OFFERING**

**Price: \$10.00 per Share**

	Minimum	Maximum	Adjusted Maximum
Number of shares	9,350,000	12,650,000	14,547,500
Gross offering proceeds	\$ 93,500,000	\$ 126,500,000	\$ 145,475,000
Estimated offering expenses <sup>(1)</sup>	\$ 2,017,000	\$ 2,290,000	\$ 2,420,000
Estimated net proceeds	\$ 91,483,000	\$ 124,210,000	\$ 143,055,000
Estimated net proceeds per share	\$ 9.78	\$ 9.82	\$ 9.83

<sup>(1)</sup> Includes selling agent fees and expenses. See The Conversion-Marketing and Distribution; Compensation for a discussion of Ryan Beck & Co., Inc.'s compensation for this offering.

*These securities are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.*

*Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Pennsylvania Department of Banking nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.*

For assistance, please call the Stock Information Center, toll free, at ( ) \_\_\_\_-\_\_\_\_.

Ryan Beck & Co., Inc. [LOGO]

The date of this prospectus is \_\_\_\_\_.

**Table of Contents**

**Prospectus Supplement**

**Interests in**

**ESSA BANK & TRUST 401(k) PLAN**

**Offering of Participation Interests in up to \_\_\_\_\_ Shares of**

**ESSA BANCORP, INC.**

**Common Stock**

In connection with the adoption of a stock issuance plan, ESSA Bancorp, Inc. is allowing participants in the ESSA Bank & Trust 401(k) Savings Plan (the Plan) to invest all or a portion of their accounts in a unitized account which will be invested in the common stock of ESSA Bancorp, Inc. (the Common Stock). ESSA Bancorp, Inc. has registered a number of participation interests through the Plan in order to enable the trustee of the Plan to purchase up to \_\_\_\_\_ shares of Common Stock, based upon the value of the Plan assets at \_\_\_\_\_, 200\_, and assuming a purchase price of \$10.00 per share. This prospectus supplement relates to the initial election of Plan participants to direct the trustee of the Plan to invest all or a portion of their Plan accounts in the unitized ESSA Bancorp, Inc. Stock Account at the time of the stock offering. After the stock offering, participants will continue to be able to invest in the Stock Account.

ESSA Bancorp, Inc.'s prospectus, dated \_\_\_\_\_, is attached to this prospectus supplement. It contains detailed information regarding the stock offering of ESSA Bancorp, Inc. common stock and the financial condition, results of operations and business of ESSA Bank & Trust. This prospectus supplement provides information regarding the Plan. You should read this prospectus supplement together with the prospectus to which it is attached and keep both for future reference.

---

**For a discussion of investment risks that you should consider, see Risk Factors beginning on page 18 of the prospectus.**

**The interests in the Plan and the offering of the Common Stock have not been approved or disapproved by the Office of Thrift Supervision, the Securities and Exchange Commission or any other federal or state agency. Any representation to the contrary is a criminal offense.**

**The securities offered in this prospectus supplement and in the prospectus are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

**Table of Contents**

This prospectus supplement may be used only in connection with offers and sales by ESSA Bancorp, Inc., in the stock offering, of stock units representing an interest in shares of Common Stock in the ESSA Bancorp, Inc. Stock Account of the Plan. No one may use this prospectus supplement to reoffer or resell interests in shares of Common Stock acquired through the Plan.

You should rely only on the information contained in this prospectus supplement and the attached prospectus. ESSA Bancorp, Inc., ESSA Bank & Trust and the Plan have not authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of Common Stock or stock units representing an ownership interest in Common Stock shall under any circumstances imply that there has been no change in the affairs of ESSA Bank & Trust or the Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this prospectus supplement is \_\_\_\_\_.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>THE OFFERING</u></b>	1
<u>Securities Offered</u>	1
<u>Purchase Priorities</u>	1
<u>Allocation of Units</u>	2
<u>Composition of and Purpose of Stock Units</u>	3
<u>Value of Plan Assets</u>	3
<u>Election to Purchase Stock Units in the Stock Offering</u>	3
<u>How to Order Stock in the Offering</u>	4
<u>Election Form Deadline</u>	4
<u>Irrevocability of Transfer Direction</u>	4
<u>Future Direction to Purchase Common Stock</u>	4
<u>Voting Rights of Common Stock</u>	5
<b><u>DESCRIPTION OF THE PLAN</u></b>	6
<u>Introduction</u>	6
<u>Eligibility and Participation</u>	6
<u>Contributions under the Plan</u>	7
<u>Limitations on Contributions</u>	7
<u>Benefits Under the Plan</u>	8
<u>Withdrawals and Distributions from the Plan</u>	8
<u>Investment of Contributions and Account Balances</u>	8
<u>Performance History</u>	10
<u>Investment in Common Stock of ESSA Bancorp, Inc.</u>	17
<u>Administration of the Plan</u>	18
<u>Amendment and Termination</u>	18
<u>Merger, Consolidation or Transfer</u>	18
<u>Federal Income Tax Consequences</u>	19
<u>Additional Employee Retirement Income Security Act ( ERISA ) Considerations</u>	20
<u>Securities and Exchange Commission Reporting and Short-Swing Profit Liability</u>	20
<u>Financial Information Regarding Plan Assets</u>	21
<b><u>LEGAL OPINION</u></b>	21
<u>Statement of Net Assets Available for Benefits as of December 31, 2006</u>	22
<u>Statement of Changes in Net Assets Available For Plan Benefits</u>	23



**Table of Contents**

**THE OFFERING**

**Securities Offered**

ESSA Bancorp, Inc. is offering stock units in the ESSA Bank & Trust 401(k) Plan (the Plan ). The stock units represent indirect ownership of ESSA Bancorp, Inc. s common stock through the ESSA Bancorp, Inc. Stock Account being established under the Plan in connection with the stock offering. Given the purchase price of \$10 per share in the stock offering, the Plan may acquire up to \_\_\_\_\_ shares of ESSA Bancorp, Inc. Common Stock in the stock offering. Only employees of ESSA Bank & Trust may become participants in the Plan and only participants may purchase stock units in the ESSA Bancorp, Inc. Stock Account. Your investment in stock units in connection with the stock offering through the ESSA Bancorp, Inc. Stock Account is subject to the purchase priorities contained in the ESSA Bancorp, Inc. Stock Issuance Plan (the Stock Issuance Plan ).

Information with regard to the Plan is contained in this prospectus supplement and information with regard to the financial condition, results of operations and business of ESSA Bancorp, Inc. is contained in the accompanying prospectus. The address of the principal executive office of ESSA Bancorp, Inc. and ESSA Bank & Trust is 200 Palmer Street, Stroudsburg, Pennsylvania 18360.

**Purchase Priorities**

In connection with the stock offering, you may elect to transfer all or part of your account balances in the Plan to the ESSA Bancorp, Inc. Stock Account, to be used to purchase stock units representing an ownership interest in the Common Stock issued in the stock offering. The manner in which you make this election and transfer is discussed below under Election to Purchase Stock Units in the Stock Offering. All Plan participants are eligible to direct a transfer of Accounts to the ESSA Bancorp, Inc. Stock Account. However, such directions are subject to the purchase priorities in the Stock Issuance Plan, which contemplates a subscription offering and, possibly, a community offering. Subscription offering categories, in descending order of purchase priorities are as follows: (1) eligible account holders; (2) tax-qualified employee benefit plans of ESSA Bank & Trust, including the employee stock ownership plan which we adopted; (3) supplemental eligible account holders; and (4) other depositors. An eligible account holder is a depositor whose deposit account(s) totaled \$50.00 or more on April 30, 2005. A supplemental eligible account holder is a depositor whose deposit account(s) totaled \$50.00 or more on February \_\_, 2007. Other depositors are depositors of the Bank as of \_\_\_\_\_. If you fall into subscription offering categories (1), (3) or (4), you have subscription rights to subscribe for stock in the subscription offering. You may do so through the Plan and/or outside of the

**Table of Contents**

Plan. Stock units can be subscribed for through the Plan by using Accounts in the Plan to pay for them. You may also be able to purchase stock units in the subscription offering through the Plan even though you are ineligible to purchase through subscription offering categories (1), (3) or (4) since ESSA Bancorp, Inc. has determined to allow the Plan to purchase stock through subscription offering category (2), reserved for its tax-qualified employee plans.

If you choose not to direct the investment of your account balances towards the purchase of any stock units through the ESSA Bancorp, Inc. Stock Account in connection with the offering, your account balances will remain in the investment Accounts of the Plan as previously directed by you.

If you are eligible to subscribe for stock in the subscription offering through subscription categories (1), (3), or (4), you will receive a separate mailing, including a Stock Order Form. You may subscribe for stock outside of the Plan by completing the Stock Order Form and submitting it to the Stock Information Center.

**Allocation of Units**

The trustee of the ESSA Bancorp, Inc. Stock Account will subscribe for Common Stock in the stock offering in accordance with your directions. No later than the end of the offering period, \_\_\_\_\_ 2007, the investment amount that you have elected for the purchase of stock units in the ESSA Bancorp, Inc. Stock Account in connection with the stock offering will be removed from the various 401(k) plan investment Accounts and transferred to the ESSA Bancorp, Inc. Stock Account, pending the consummation of the stock offering. After \_\_\_\_\_, 2007 we will determine whether all or any portion of your order will be filled (if the offering is oversubscribed, you may not receive any or all of your order, depending on your purchase priority, as described above, and whether the Plan will purchase through category 2). The amount that can be used toward your order will be applied to the purchase of stock units.

In the event the offering is oversubscribed, *i.e.*, there are more orders for Common Stock than shares available for sale in the offering, and the trustee is unable to use the full amount allocated by you to purchase interests in Common Stock in the offering, the amount that cannot be invested in Common Stock will remain in cash in the ESSA Bancorp Stock Account until you reallocate it to other 401(k) plan investments. The prospectus describes the allocation procedures in the event of an oversubscription. See The Conversion section in the prospectus.

---

**Table of Contents**

**Composition of and Purpose of Stock Units**

The ESSA Bancorp, Inc. Stock Account, which is being established in the Plan, will invest in the Common Stock of ESSA Bancorp, Inc. Following the stock offering, the ESSA Bancorp, Inc. Stock Account will maintain a cash component for liquidity purposes. Liquidity is required in order to facilitate daily transactions such as investment transfers or distributions from the ESSA Bancorp, Inc. Stock Account. For purchases in the offering, there will be no cash component. A stock unit will be valued at \$10. After the offering, newly issued units will consist of a percentage interest in both the Common Stock and cash held in the ESSA Bancorp, Inc. Stock Account. Unit values (similar to the stock's share price) and the number of units (similar to number of shares) will be used to communicate the dollar value of a participant's account. Following the stock offering, each day, the stock unit value of the ESSA Bancorp, Inc. Stock Account will be determined by dividing the total market value of the Account at the end of the day by the total number of units held in the Account by all participants as of the previous day's end. The change in stock unit value reflects the day's change in stock price, any cash dividends accrued and the interest earned on the cash component of the Account, less any investment management fees. The market value and unit holdings of your account in the ESSA Bancorp, Inc. Stock Account will be reported to you on your quarterly statements.

**Value of Plan Assets**

As of \_\_\_\_\_, the market value of the assets of the Plan eligible to purchase Common Stock in the offering was approximately \$\_\_\_\_\_.

**Election to Purchase Stock Units in the Stock Offering**

In connection with the stock offering, the Plan will permit you to direct the trustee to transfer all or part of the funds which represent your current beneficial interest in the assets of the Plan to the ESSA Bancorp, Inc. Stock Account. The amount that you wish to invest in stock units will be transferred from the various 401(k) investment alternatives to the ESSA Bancorp, Inc. Stock Account pursuant to your direction on the Special Election Form. The trustee of the Plan will subscribe for ESSA Bancorp, Inc. Common Stock offered for sale in connection with the stock offering, in accordance with each participant's direction. In order to purchase stock units representing an ownership interest in Common Stock in the stock offering through the Plan, you must purchase stock units representing an ownership interest in at least 25 shares in the offering through the Plan. The prospectus describes maximum purchase limits for investors in the stock offering. The trustee will pay \$10.00 per stock unit, which will be the same price paid by all other persons who purchase shares in the subscription and community offerings.

---

**Table of Contents**

<b>How to Order Stock in the Offering</b>	Enclosed is a Special Election Form on which you can elect to transfer all or a portion of your account balance in the Plan to the ESSA Bancorp, Inc. Stock Account for the purchase of stock units in connection with the stock offering, provided that you purchase stock units representing an ownership interest in at least 25 shares through the Plan. If you wish to use all or part of your account balance in the Plan to purchase Common Stock issued in the stock offering, you should indicate that decision on the Special Election Form. In order to direct the Trustee to purchase stock units in the offering, you may complete a Special Election Form indicating the dollar amount that you wish to have transferred from the various 401(k) investment Accounts into the ESSA Bancorp, Inc. Stock Account. Please note that you need not invest all the amounts that you have invested in the 401(k) plan in the ESSA Bancorp, Inc. Stock Account. You will file the Special Election Form with Thomas J. Grayuski, at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360. You must file the Special Election Form no later than 5:00 p.m., local time, on _____. If you do not wish to make an election, you should check Box E on the reverse side of the Special Election Form and return the form to Thomas J. Grayuski as indicated above.
<b>Election Form Deadline</b>	If you wish to purchase stock units with your Plan account balances, you must return your Special Election Form to Thomas J. Grayuski, at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360, <b>to be received no later than 5:00 p.m., local time, on _____</b> . You may return your Special Election Form by hand delivery, mail or by faxing it to (570) 476-6258, so long as it is returned by the time specified. This return date is earlier than the deadline for purchases made outside of the Plan. In order to purchase shares outside the Plan, you must complete and return a Stock Order Form along with payment by check or by authorizing withdrawal from your ESSA Bank & Trust deposit account(s) to the Stock Information Center no later than 12:00 p.m., local time, on _____.
<b>Irrevocability of Transfer Direction</b>	<u>You may not change your election to transfer amounts to the ESSA Bancorp, Inc. Stock Account in connection with the stock offering.</u> Your election is irrevocable. You will, however, continue to have the ability to transfer amounts not directed towards the purchase of stock units among all of the other investment Accounts on a daily basis.
<b>Future Direction to Purchase Common Stock</b>	You will be able to purchase stock units <u>after</u> the offering through your investment in the ESSA Bancorp, Inc. Stock Account. You may direct that your future contributions or your account balance in the Plan be transferred to the ESSA Bancorp, Inc. Stock Account. After the offering, to the extent that shares are available, the trustee of the Plan will acquire Common Stock at your election in open

**Table of Contents**

market transactions at the prevailing price. You may change your investment allocation on a daily basis. Special restrictions may apply to transfers directed to and from the ESSA Bancorp, Inc. Stock Account by the participants who are subject to the provisions of section 16(b) of the Securities Exchange Act of 1934, as amended, relating to the purchase and sale of securities by officers, directors and principal shareholders of ESSA Bancorp, Inc.

**Voting Rights of Common Stock**

The Plan provides that, after the offering, you may direct the trustee how to vote any shares of ESSA Bancorp, Inc. Common Stock held by the ESSA Bancorp, Inc. Stock Account, and the interest in such shares that is credited to your account. If the trustee does not receive your voting instructions, the Plan administrator will exercise these rights as it determines in its discretion and will direct the trustee accordingly. All voting instructions will be kept confidential.

---

**Table of Contents**

**DESCRIPTION OF THE PLAN**

**Introduction**

ESSA Bank & Trust adopted the ESSA Bank & Trust 401(k) Plan effective December 1, 1985 (the Plan ). The Plan is a tax-qualified plan, with a cash or deferred compensation feature, established in accordance with the requirements under Section 401(a) and Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code ).

ESSA Bank & Trust intends that the Plan, in operation, will comply with the requirements under Section 401(a) and Section 401(k) of the Code. ESSA Bank & Trust will adopt any amendments to the Plan that may be necessary to ensure the continuing qualified status of the Plan under the Code and applicable Treasury Regulations.

*Employee Retirement Income Security Act ( ERISA ).* The Plan is an individual account plan other than a money purchase pension plan within the meaning of ERISA. As such, the Plan is subject to all of the provisions of Title I (Protection of Employee Benefit Rights) and Title II (Amendments to the Code Relating to Retirement Plans) of ERISA, except to the funding requirements contained in Part 3 of Title I of ERISA which, by their terms, do not apply to an individual account plan (other than a money purchase plan). The Plan is not subject to Title IV (Plan Termination Insurance) of ERISA. The funding requirements contained in Title IV of ERISA are not applicable to participants or beneficiaries under the Plan.

*Reference to Full Text of Plan.* The following portions of this prospectus supplement summarize certain provisions of the Plan. They are not complete and are qualified in their entirety by the full text of the Plan. Copies of the Plan are available to all employees by filing a request with the Plan Administrator at ESSA Bank & Trust, 200 Palmer Street, Stroudsburg, Pennsylvania 18360. You are urged to read carefully the full text of the Plan.

**Eligibility and Participation**

Employees who are at least 21 years old and have completed at least one year of employment with ESSA Bank & Trust are eligible to enter the Plan (effective January 1, 2007) on the January 1 or July 1 coincident with or next following the date on which the employee meets the age and year of employment requirements (a year of employment includes the performance of at least 1,000 hours of employment). Prior to January 1, 2007, employees were eligible to enter the Plan on the December 1 or June 1 coincident with or next following the date on which the employee meets the age and year of employment requirements. Employees covered by a collective bargaining agreement and nonresident aliens who receive no income from sources within the United States are not eligible to participate in the Plan. Effective January 1, 2007, the Plan year is the calendar year (the Plan Year ). There was a short Plan Year from December 1, 2006 to December 31, 2006 and before December 1, 2006, the Plan Year was from December 1 to November 30.

As of \_\_\_\_\_, there were approximately \_\_\_\_\_ employees and former employees eligible to participate in the Plan.

---

**Table of Contents**

**Contributions under the Plan**

*401(k) Plan Contributions.* You are permitted to defer on a pre-tax basis either a flat dollar amount or between 1% and 100% of your compensation (expressed in terms of whole percentages) for each payroll period, subject to certain restrictions imposed by the Internal Revenue Code, and to have that amount contributed to the Plan on your behalf. For purposes of the Plan, compensation means your compensation subject to income tax withholding at the source, as reported on your Form W-2, excluding bonuses and commissions, plus deferred income attributable to any compensation reduction agreement in connection with the Plan or compensation reduction in connection with a Section 125 plan or Internal Revenue Code Section 132(f) benefit. In 2007, the annual compensation of each participant taken into account under the Plan is limited to \$225,000. (Limits established by the Internal Revenue Service are subject to increase pursuant to an annual cost-of-living adjustment, as permitted by the Internal Revenue Code). You may elect to modify the amount contributed to the Plan as of any January 1 or July 1 by filing a new elective deferral agreement with the Plan administrator.

*Employer Matching Contributions.* The Plan is intended to be a safe harbor 401(k) Plan with respect to automatically satisfying certain IRS rules with respect to nondiscrimination in the amount of contributions for highly compensated employees compared to nonhighly compensated employees. Accordingly, ESSA Bank & Trust will make matching contributions to the Plan in an amount equal to the sum of 100% of the Participant's annual elective deferrals that do not exceed 3% of the Participant's Compensation, plus 50% of the amount of the Participant's annual elective deferrals that do not exceed 5% of the Participant's Compensation. If you stop making elective deferrals for any period, ESSA Bank & Trust will also stop making matching contributions for the same period.

**Limitations on Contributions**

*Limitations on Employee Salary Deferrals.* For the Plan Year beginning January 1, 2007, the amount of your before-tax contributions may not exceed \$15,500 per calendar year. This amount may be adjusted periodically by law, based on changes in the cost of living. In addition, if you are age 50 or older in 2007, you will be able to make a catch-up contribution of up to \$5,000, in addition to the \$15,500 limit. The catch-up contribution limit may be adjusted periodically by law, based on changes in the cost of living. Contributions in excess of these limits, as applicable to you, are known as excess deferrals. If you defer amounts in excess of these limitations, as applicable to you, your gross income for federal income tax purposes will include the excess in the year of the deferral. In addition, unless the excess deferral is distributed before April 15 of the following year, it will be taxed again in the year distributed. Income on the excess deferral distributed by April 15 of the immediately succeeding year will be treated, for federal income tax purposes, as earned and received by you in the tax year in which the contribution is made.

*Limitation on Plan Contributions for Highly Compensated Employees.* Special provisions of the Internal Revenue Code limit the amount of elective deferrals and employer non-matching contributions that may be made to the Plan in any year on behalf of highly compensated employees, in relation to the amount of elective deferrals and employer non-matching contributions made by or on behalf of all other employees eligible to participate in the Plan.

## **Table of Contents**

A highly compensated employee includes any employee who (1) was a 5% owner of ESSA Bancorp, Inc. at any time during the current or preceding year, or (2) had compensation for the preceding year of more than \$100,000. The dollar amounts in the foregoing sentence may be adjusted annually to reflect increases in the cost of living. If these limitations are exceeded, the level of deferrals by highly compensated employees may have to be adjusted.

### **Benefits Under the Plan**

*Vesting.* At all times, you have a fully vested, nonforfeitable interest in the elective deferrals you have made under the Plan. Any employer contributions credited to your account before December 1, 2004 are subject to a 6-year graded vesting schedule pursuant to which such amounts vest in 20% increments after each completed year of service, beginning after the completion of the second year of service, until a participant becomes 100% vested upon completion of 6 years of service. Employer contributions to your account on and after December 1, 2004 are fully vested because the Plan is a "safe harbor" 401(k) plan as of that date. In addition, you will also become 100% vested in the employer contributions and earnings credited to your account upon your death, disability or attainment of age 65.

### **Withdrawals and Distributions from the Plan**

In-service withdrawals from your 401(k) account are not permitted under the Plan until you attain age 70<sup>1/2</sup>. Hardship withdrawals and loans are not permitted under the Plan.

*Withdrawal upon Termination of Employment.* You may make withdrawals from your accounts at any time after you terminate employment. If your vested account balance as of the date of your termination is \$1,000 or less, distribution will be made in a lump sum. If your accounts are between \$1,000 and \$5,000 and you have not made any payment election, the Plan administrator will pay the distribution in a direct rollover to an individual retirement plan designated by the Plan administrator. If your accounts exceed \$5,000 upon your termination of employment, payment will be deferred until you reach age 65 unless you elect an optional form of payment such as a lump sum payment or partial withdrawal (subject to a mandatory 20% income tax withholding), a rollover to an individual retirement account or to another employer's plan (if permitted by that plan).

*Distribution due to Disability, Death or Retirement.* If your termination of employment is due to normal or postponed retirement, death or disability and your accounts exceed \$5,000, distribution will be made in a lump sum payment upon your attainment of age 65 (or, if earlier, date of disability) unless you elect to defer distribution to a postponed retirement date or unless you elect an optional form of payment such as a lump sum payment or partial withdrawal (subject to a mandatory 20% income tax withholding), a rollover to an individual retirement account or to another employer's plan (if permitted by that plan).

### **Investment of Contributions and Account Balances**

All amounts credited to your accounts under the Plan are either held in insurance products or in the Plan trust (the "Trust") which is administered by the trustee appointed by ESSA Bank & Trust's Board of Directors.



**Table of Contents**

Prior to the effective date of the offering, you were provided the opportunity to direct the investment of your account into one or more of the following options:

**Premier Money Market (Babson Capital) MKSXX**

**Premier Core Bond (Babson Capital) MCBDX**

**Premier High Yield (Babson Capital) DLHYX**

**Premier Strategic Income (OFI) MISLX**

**Conservative Journey**

**Moderate Journey**

**Aggressive Journey**

**Destination Retirement Income MDRLX**

**Destination Retirement 2020 MRTLX**

**Destination Retirement 2030 MYRLX**

**Destination Retirement 2040 MRFLX**

**Premier Core Value Eq (Babson/AllncBer/OFI Inst)**

**Select Large Cap Value (Davis) MLVSX**

**Select Indexed Equity (Northern Trust) MMIEX**

**Spectrum Growth (T. Rowe Price) PRSGX**

**Premier Capital Appreciation (OFI) MCASX**

**Growth (OFI) OGRYX**

**Ultra (American Century) TWCUX**

**Premier Small Co. Opportunities II (OFI Inst) MSCDX**

**Premier Small Cap Value (OFI Institutional) DSMVX**

**Select Mid Cap Growth II (T. Rowe Price) MMELX**

**New Horizons (T. Rowe Price) PRNHX**

**Premier International Equity (OFI) MIEDX**

**Global Opportunities (OFI) OGIYX**

**Select Focused Value (Harris/C&B) MFVSX**

In connection with the offering, the Plan now provides that in addition to the Accounts specified above, you may direct the trustee, or its representative, to invest all or a portion of your account in the ESSA Bancorp, Inc. Stock Account. You may elect to have both past contributions and earnings, as well as future contributions to your account invested among the Accounts listed above. If you fail to provide an effective investment direction in connection with the stock offering, your contributions will be invested in the various investment alternatives that you designated until such time as you change your investment directions. You may apply different investment instructions to amounts already accumulated as opposed to future contributions. You may change your investment directions at any time by telephone or electronic medium.

**Table of Contents****Performance History**

The following table provides performance data with respect to the investment Accounts available under the Plan through November 30, 2006:

**PERFORMANCE**

AS OF NOVEMBER 30, 2006

<i>Stock Accounts</i>	<i>1 Month</i>	<i>1 Year</i>	<i>3 Year</i>	<i>5 Year</i>	<i>10 Year</i>	<i>SINCE INCEPTION</i>
Premier Money Market (Babson Capital)	0.40%	4.54%	2.62%	2.02%	3.66%	6.63%
Premier Core Bond (Babson Capital)	1.09%	5.40%	3.99%	4.86%	5.82%	8.01%
Premier High Yield (Babson Capital)	1.28%	10.73%	8.63%	11.01%	N/A	8.95%
Premier Strategic Income (OFI)	1.36%	7.47%	7.02%	8.80%	6.49%	8.43%
Conservative Journey	1.33%	7.61%	6.30%	5.54%	5.98%	7.69%
Moderate Journey	1.80%	10.10%	9.22%	6.87%	7.22%	9.25%
Aggressive Journey	2.14%	11.16%	11.12%	7.33%	8.42%	10.62%
Destination Retirement Income	1.23%	6.33%	5.48%	4.90%	5.70%	8.16%
Destination Retirement 2020	1.58%	8.32%	8.50%	6.28%	5.68%	8.20%
Destination Retirement 2030	1.90%	9.86%	10.48%	6.77%	5.35%	8.47%
Destination Retirement 2040	2.09%	10.99%	11.75%	7.39%	5.68%	9.21%
Premier Core Value Eq (Babson/AllncBer/OFI Inst)	2.30%	16.66%	14.27%	8.55%	6.45%	10.08%
Select Large Cap Value (Davis)	2.08%	13.29%	13.25%	8.90%	10.14%	14.39%
Select Indexed Equity (Northern Trust)	1.84%	13.69%	11.34%	5.61%	7.58%	10.34%
Spectrum Growth (T. Rowe Price)	2.54%	15.36%	14.61%	9.59%	8.44%	10.73%
Premier Capital Appreciation (OFI)	2.82%	7.99%	8.17%	3.47%	8.40%	14.11%
Growth (OFI)	3.20%	5.14%	7.46%	1.44%	3.20%	