

EFC BANCORP INC
Form DEF 14A
March 17, 2005

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

EFC Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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EFC BANCORP, INC.

1695 Larkin Avenue

Elgin, Illinois 60123

(847) 741-3900

March 17, 2005

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of EFC Bancorp, Inc. We will hold the meeting at the Holiday Inn & Suites Chicago Northwest, 495 Airport Road, Elgin, Illinois on April 19, 2005 at 2:00 p.m., local time.

The notice of annual meeting and proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we will also report on the operations of the Company. Directors and officers of the Company, as well as a representative of KPMG LLP, the Company's independent registered public accounting firm (the independent auditors), will be present to respond to appropriate questions of stockholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to complete and mail the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Leo M. Flanagan, Jr.
Leo M. Flanagan, Jr.
Chairman of the Board

EFC Bancorp, Inc.

1695 Larkin Avenue

Elgin, Illinois 60123

(847) 741-3900

Notice of Annual Meeting of Stockholders

On April 19, 2005, EFC Bancorp, Inc. (the Company) will hold its annual meeting of stockholders at the Holiday Inn & Suites Chicago Northwest, 495 Airport Road, Elgin, Illinois. The meeting will begin at 2:00 p.m., local time. At the meeting, stockholders will consider and act on the following:

1. The election of three directors to serve for a term of three years;
2. The ratification of the appointment of KPMG LLP as independent auditors for the Company for the fiscal year ending December 31, 2005; and
3. Such other business that may properly come before the meeting.

NOTE: The Board of Directors is not aware of any other business to come before the meeting.

The Board of Directors set March 7, 2005 as the record date for the meeting. This means that owners of EFC Bancorp common stock at the close of business on that date are entitled to receive notice of the meeting and to vote at the meeting and any adjournments or postponements of the meeting.

Please complete and sign the enclosed proxy card, which is solicited by the Board of Directors, and mail it promptly in the enclosed envelope. The proxy will not be used if you attend the meeting and vote in person.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Ursula Wilson
Ursula Wilson

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Corporate Secretary

Elgin, Illinois

March 17, 2005

IMPORTANT: The prompt return of proxies will save the Company the expense of further requests for proxies in order to ensure a quorum. A self-addressed envelope is enclosed for your convenience. No postage is required if mailed in the United States.

EFC Bancorp, Inc.

PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of EFC Bancorp, Inc. (EFC Bancorp or the Company) to be used at the annual meeting of stockholders of the Company. EFC Bancorp is the holding company for EFS Bank (EFS Bank or the Bank). The annual meeting will be held at the Holiday Inn & Suites Chicago Northwest, 495 Airport Road, Elgin, Illinois on April 19, 2005 at 2:00 p.m., local time. This proxy statement and the enclosed proxy card are being first mailed to stockholders of record on or about March 17, 2005.

General Information about Voting

Who Can Vote at the Meeting

You are entitled to vote your EFC Bancorp common stock only if the records of the Company show that you held your shares as of the close of business on March 7, 2005. As of the close of business on March 7, 2005, a total of 4,759,513 shares of EFC Bancorp common stock were outstanding. Each share of common stock has one vote. The Company's Certificate of Incorporation provides that record holders of the Company's common stock who beneficially own, either directly or indirectly, in excess of 10% of the Company's outstanding shares are not entitled to any vote in respect of the shares held in excess of the 10% limit.

Attending the Meeting

Your admission ticket to the annual meeting is included with this proxy statement. If you plan to attend the meeting, please bring your admission ticket with you as you must have it in order to attend the meeting.

Vote Required

The annual meeting will be held only if there is a quorum. A quorum exists if a majority of the outstanding shares of common stock entitled to vote is represented at the meeting. If you return valid proxy instructions or attend the meeting in person, your shares will be counted for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner.

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In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees, or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the greatest number of votes will be elected. Votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In voting on the ratification of the appointment of KPMG LLP as independent auditors, you may vote in favor of the proposal, vote against the proposal or abstain from voting. The ratification of KPMG

LLP as independent auditors will be decided by the affirmative vote of a majority of the votes cast at the annual meeting. On this matter abstentions and broker non-votes will have no effect on the voting.

Voting by Proxy

The Board of Directors of EFC Bancorp is sending you this proxy statement for the purpose of requesting that you allow your shares of EFC Bancorp common stock to be represented at the annual meeting by the persons named in the enclosed proxy card. All shares of EFC Bancorp common stock represented at the annual meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors. **The Board of Directors recommends a vote FOR each of the nominees for director and FOR ratification of KPMG LLP as independent auditors.**

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their own best judgment to determine how to vote your shares. This includes a motion to adjourn or postpone the annual meeting in order to solicit additional proxies. If the annual meeting is postponed or adjourned, your EFC Bancorp common stock may be voted by the persons named in the proxy card on the new annual meeting date as well, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the annual meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy you must either advise the Corporate Secretary of the Company in writing before your common stock has been voted at the annual meeting, deliver a later dated proxy, or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

If your EFC Bancorp common stock is held in street name, you will receive instructions from your broker, bank or other nominee that you must follow in order to have your shares voted. Your broker, bank or other nominee may allow you to deliver your voting instructions via the telephone or the Internet. Please see the instruction form provided by your broker, bank or other nominee that accompanies this proxy statement.

Proxies solicited are to be returned to the Company's transfer agent, LaSalle Bank, N.A. The Board of Directors has designated LaSalle to act as inspectors of election, and tabulate the votes at the annual meeting. LaSalle is not otherwise employed by, or a director of the Company or any of its affiliates. After the final adjournment of the annual meeting, the proxies will be returned to the Company.

Participants in the Bank's ESOP or 401(k) Plan

If you participate in the EFS Bank Employee Stock Ownership Plan (the ESOP) or if you hold shares through the Elgin Financial Center, SB 401(k) Employee Benefit Plan & Trust (the 401(k) Plan), you will receive a voting instruction form for each plan that reflects all shares you may direct the trustees to vote on your behalf under the plans. Under the terms of the ESOP, the ESOP trustee votes all shares held by the ESOP, but each ESOP participant may direct the trustee how to vote the shares of common stock allocated to his or her account. The ESOP trustee, subject to the exercise of its fiduciary duties, will vote all unallocated shares of Company common stock held by the ESOP and

allocated shares for which no voting instructions are received in the same proportion as shares for which it has received timely voting instructions. Under the terms of the 401(k) Plan, a participant is entitled to direct the trustee as to the shares in the EFC Bancorp, Inc. Stock Fund credited to his or her account. The trustee will vote all shares for which no directions are given or for which instructions were not timely received in the same proportion as shares for which the trustee received voting instructions. The deadline for returning your voting instructions to each plan's trustee is April 11, 2005.

Corporate Governance

General

EFC Bancorp periodically reviews its corporate governance policies and procedures to ensure that EFC Bancorp meets the highest standards of ethical conduct, reports results with accuracy and transparency and maintains full compliance with the laws, rules and regulations that govern EFC Bancorp's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for EFC Bancorp.

Corporate Governance Policies and Procedures

EFC Bancorp has adopted a corporate governance policy to govern certain activities, including:

- (1) the duties and responsibilities of the Board of Directors and each director;
- (2) the composition and operation of the Board of Directors;
- (3) the establishment and operation of Board committees;
- (4) convening executive sessions of independent directors;
- (5) succession planning;

- (6) the Board of Directors' interaction with management and third parties; and
- (7) the evaluation of the performance of the Board of Directors and of the chief executive officer.

Code of Business Conduct and Code of Ethics For Senior Financial Officers

EFC Bancorp has adopted a Code of Business Conduct and a Code of Ethics for Senior Financial Officers that is designed to ensure that the Company's directors, executive officers and employees meet the highest standards of ethical conduct. The Code of Business Conduct requires that the Company's directors, executive officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. Under the terms of the Code of Business Conduct, directors, executive officers and employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code.

As a mechanism to encourage compliance with the Code of Business Conduct, the Company has established procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters. These procedures ensure that individuals may submit concerns regarding questionable accounting or auditing matters in a confidential and anonymous manner. The Code of Business Conduct also prohibits the Company from retaliating against any director, executive officer or employee who reports actual or apparent violations of the Code.

Meetings of the Board of Directors

The Company and EFS Bank conduct business through meetings and activities of their Boards of Directors and their committees. During the year ended December 31, 2004, the Board of Directors of the Company held 12 regular meetings and one special meeting and the Board of Directors of EFS Bank held 12 regular meetings and one special meeting. No director attended fewer than 75% of the total meetings of the Boards of Directors and committees on which he served.

Committees of the Board of Directors of EFC Bancorp

Audit Committee. The Board of Directors has a separately-designated standing Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. The Audit Committee, consisting of Messrs. Anderson, Fernandez, Narum and Traeger, meets periodically with independent auditors and management to review accounting, auditing, internal control structure and financial reporting matters. This committee met three times during the year ended December 31, 2004. Each member of the Audit Committee is independent in accordance with the listing standards of the American Stock Exchange. The Board of Directors has determined that Thomas I. Anderson is an audit committee financial expert under the rules of the Securities and Exchange Commission. The Audit Committee acts under a written charter adopted by the Board of Directors, a copy of which was included as *Appendix A* to the EFC Bancorp 2004 proxy statement. The report of the audit committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See *Proposal 2 Ratification of Independent Auditors Report of Audit Committee*.

Compensation Committee. The Compensation Committee, consisting of Messrs. Alpeter, Anderson, Brittain, Fernandez, Narum and Traeger, is responsible for all matters regarding the Company's and the Bank's employee compensation and benefit programs. This committee met three times during the year ended December 31, 2004. Each member of the Compensation Committee is independent in accordance with the listing standards of the American Stock Exchange. The report of the compensation committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See *Compensation Committee Report on Executive Compensation*.

Governance/Nominating Committee. The Governance/Nominating Committee, consisting of Messrs. Alpeter, Anderson, Brittain, Fernandez, Narum and Traeger, takes a leadership role in shaping governance policies and practices including recommending to the Board of Directors the corporate governance policies and guidelines applicable to EFC Bancorp and monitoring compliance with these policies and guidelines. In addition, the Governance/Nominating Committee is responsible for identifying individuals qualified to become Board members and recommending to the

Board the director nominees for election at the next annual meeting of stockholders. It leads the Board in its annual review of the Board's performance and recommends director candidates for each committee for appointment by the Board. This committee met once to recommend nominees for election as directors at this annual meeting. Each member of the Governance/Nominating Committee is independent in accordance with the listing standards of the American Stock Exchange. The Governance/Nominating Committee acts under a

written charter adopted by the Board of Directors, a copy of which was included as *Appendix B* to the EFC Bancorp 2004 proxy statement. The procedures of the Governance/Nominating Committee required to be disclosed by the rules of the Securities and Exchange Commission are included in this proxy statement. See *Governance/Nominating Committee Procedures*.

In addition, the Board of Directors encourages directors to attend the annual meeting of stockholders. All directors attended the 2004 Annual Meeting of Stockholders.

Directors Compensation

Fee Agreement. All outside directors of the Bank receive a fee of \$3,000 for each regular and special Board meeting which they attend. The Vice Chairman receives an additional \$2,500 for each regular and special Board meeting attended. All outside directors of the Bank receive a fee of \$200 to \$300 (depending on the committee) for each committee meeting attended, except that no fees are paid for attending a meeting of the Executive or CRA Committees. All outside directors of the Company receive a \$6,000 annual retainer, payable semi-annually.

Supplemental Retirement Agreements. During 2002, the Bank entered into supplemental retirement agreements with each of the non-employee directors of the Bank. The supplemental agreements are intended to provide each of the directors with a supplemental benefit following their termination of service with the board of directors. Under the agreements, each of the directors will receive an annual benefit of \$15,500 for a period of 10 years following the director's termination of service with the board on or after attaining age 70. The agreements also provide each of the directors with an annual benefit that may be reduced in the event they terminate service or become disabled prior to attaining age 70, but after attaining age 65. Upon a change in control, each of the directors becomes entitled to 100% of his normal annual benefit. Upon a director's death, the beneficiary of each director becomes entitled to the benefit the director would have been entitled at the time of death, unless the director dies while in active service with the Bank. In that case, the director's beneficiary becomes entitled to 100% of the normal benefit that would have been paid had the director terminated service after attaining age 70.

Stock Ownership

The following table provides information as of March 7, 2005 about the persons known to EFC Bancorp to be the beneficial owners of more than 5% of the Company's outstanding common stock. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investing power.

| Name and Address | Number of Shares Owned | Percent of Common Stock Outstanding |
|---|---------------------------|---|
| EFS Bank Employee Stock Ownership Plan 1695 Larkin Avenue Elgin, Illinois 60123 | 552,746(1) | 11.61% |
| EFS Foundation 1695 Larkin Avenue Elgin, Illinois 60123 | 441,121(2) | 9.27% |

(1) Under the terms of the ESOP, the ESOP trustee must vote all allocated shares held in the ESOP in accordance with the timely instructions received from participants. At March 7, 2005, 233,110 shares had been allocated under the ESOP and 319,636 shares remain unallocated. Subject to its fiduciary duties, the ESOP trustee will vote unallocated shares and allocated shares for which no voting instructions are received in the same proportion for which the trustee has received timely voting instructions from participants.

(2) EFS Foundation (the Foundation) was established and funded in connection with the Bank's conversion from mutual to stock form in 1998. Pursuant to the terms of the contribution of common stock, as mandated by the Federal Deposit Insurance Corporation (FDIC), all shares of common stock held by the Foundation must be voted in the same ratio as all other shares of the Company's common stock on all proposals considered by shareholders of the Company.

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The following table provides information as of March 7, 2005 about the shares of EFC Bancorp common stock that may be considered to be beneficially owned by each director, each nominee for director and all directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting power and sole investment power with respect to the number of shares shown.

| Name | Number of Shares Owned (excluding options) | Number of Shares That May Be Acquired Within 60 Days by Exercising Options | Percent of Common Stock Outstanding(1) |
|--|--|--|--|
| <i>Directors</i> | | | |
| James A. Alpeter | 13,464 | 3,500 | *% |
| Thomas I. Anderson | 70,914(2) | | 1.49 |
| Randolph W. Brittain | 4,992(3)(4) | 4,000 | * |
| Eric J. Fernandez | 2,552(3) | 2,000 | * |
| Leo M. Flanagan, Jr. | 71,478(5)(6) | 34,940 | 2.22 |
| James J. Kovac | 135,101(5)(7) | 49,000 | 3.83 |
| Barrett J. O Connor | 87,197(5) | 56,132 | 2.98 |
| Larry M. Narum | 1,553(3) | 4,000 | * |
| Peter A. Traeger | 22,062 | 22,500 | * |
| <i>Named Executive Officers Who Are Not Also Directors</i> | | | |
| R. Scott Reining | 6,658(5) | 19,100 | * |
| Randy C. Blackburn | 6,863(5) | 10,000 | * |
| Joseph E. Stanczak | 37,722(5)(8) | 28,500 | 1.38 |
| All directors and executive officers as a group (19 persons) | 584,577 | 279,877 | 17.15 |