MERCURY COMPUTER SYSTEMS INC
Form 4
November 26, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL	
OMB Number:	3235-0287
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(Print or Type Responses)

1. Name and Address of Reporting Person *
STEELE LEE C

(Last) (First) (Middle)

3 DURHAM STREET, #2

(Street)

BOSTON, MA 02115

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
MERCURY COMPUTER SYSTEMS INC [MRCY]

3. Date of Earliest Transaction (Month/Day/Year)
11/21/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Ar Underlying Se (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)				
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title
Non-Qualified Stock Option (Right to buy)	$ 14.14	11/21/2007		A		16,000		11/21/2007 (1)	11/21/2017	Common

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STEELE LEE C 3 DURHAM STREET, #2 BOSTON, MA 02115	X			

Signatures

Alex Braverman, Attorney-in-fact	11/26/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) This option vests as to 8,000 shares on each of November 21, 2007 and 2008.

(2) Field N/A to this transaction but was completed to allow for electronic filing only.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. th="9%">

Total capital (to risk weighted assets)			
The Company	32.71%	8.0%	N/A
The Bank	30.42%	8.0%	10.0%
September 30, 2007:			
Tier 1 capital (to average assets)			
The Company	17.08%	4.0%	N/A
The Bank	15.52%	4.0%	5.0%
Tier 1 capital (to risk weighted assets)			

The Company	37.88%	4.0%	N/A
The Bank	34.22%	4.0%	6.0%
Total capital (to risk weighted assets)			
The Company	38.43%	8.0%	N/A
The Bank	34.77%	8.0%	10.0%

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements, accompanying notes, and related financial data of the Company presented herein have been prepared in accordance with generally accepted accounting principles which requires the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Unlike most industrial companies, substantially all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the price of goods and services, since such prices are affected by inflation to a larger extent than interest rates. In the current interest rate environment, liquidity and the maturity structure of the Company's assets and liabilities are critical to the maintenance of acceptable performance levels.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

How We Manage Market Risk. Market risk is the risk of loss from adverse changes in market prices and rates. Our market risk arises primarily from the interest rate risk which is inherent in our lending, investment and deposit gathering activities. To that end, management actively monitors and manages interest rate risk exposure. In addition to market risk, our primary risk is credit risk on our loan portfolio. We attempt to manage credit risk through our loan underwriting and oversight policies.

The principal objective of our interest rate risk management function is to evaluate the interest rate risk embedded in certain balance sheet accounts, determine the level of risk appropriate given our business strategy, operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with approved guidelines. We seek to manage our exposure to risks from changes in interest rates while at the same time trying to improve our net interest spread. We monitor interest rate risk as such risk relates to our operating strategies.   We have established an Asset/Liability Committee which is comprised of our President and Chief Executive Officer, Chief Financial Officer, Chief Lending Officer, Treasurer and Controller. The Asset/Liability Committee meets on a regular basis and is responsible for reviewing our asset/liability policies and interest rate risk position. Both the extent and direction of shifts in interest rates are uncertainties that could have a negative impact on future earnings.

In recent years, we primarily have utilized the following strategies in our efforts to manage interest rate risk:

- we have increased our originations of shorter term loans and/or loans with adjustable rates of interest, particularly construction and land development loans;

- we have invested in securities with “step-up” rate features providing for increased interest rates prior to maturity according to a pre-determined schedule and formula; and

- we have maintained moderate levels of short-term liquid assets.

However, notwithstanding the foregoing steps, we remain subject to a significant level of interest rate risk in a rising rate environment due to the high proportion of our loan portfolio that consists of fixed-rate loans as well as our decision to invest a significant amount of our assets in long-term, fixed-rate investment and mortgage-backed securities designated as held to maturity. In addition, our interest rate spread and margin have been adversely affected due to the flat yield curve. Likewise, our unwillingness to originate long-term, fixed-rate residential mortgage loans at low rates has resulted in borrowers in many cases refinancing loans elsewhere, requiring us to reinvest the resulting proceeds from the loan payoffs at low current market rates of interest.   Thus, both of these strategies have increased our interest rate risk.

Gap Analysis. The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are “interest rate sensitive” and by monitoring a Company’s interest rate sensitivity “gap.” An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. A gap is considered negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets. During a period of rising interest rates, a negative gap would tend to affect adversely net interest income while a positive gap would tend to result in an increase in net interest income. Conversely, during a period of falling interest rates, a negative gap would tend to result in an increase in net interest income while a positive gap would tend to affect adversely net interest income.

The following table sets forth the amounts of our interest-earning assets and interest-bearing liabilities outstanding at June 30, 2008, which we expect, based upon certain assumptions, to reprice or mature in each of the future time periods shown (the “GAP Table”). Except as stated below, the amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at June 30, 2008, on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three-month period and subsequent selected time intervals. The loan amounts in the table reflect principal balances expected to be redeployed and/or repriced as a result of contractual amortization and anticipated prepayments of adjustable-rate loans and fixed-rate loans, and as a result of contractual rate adjustments on adjustable-rate loans. Annual prepayment rates for adjustable-rate and fixed-rate single-family and multi-family residential and commercial mortgage loans are assumed to range from 6.7% to 14.4%. The annual prepayment rate for mortgage-backed securities is assumed to range from 0.6% to 51.5%. Money market deposit accounts, savings accounts and interest-bearing checking accounts are assumed to have annual rates of withdrawal, or “decay rates,” based on information from the FDIC. For savings accounts and checking accounts, the decay rates are 60% in one to three years, 20% in three to five years and 20% in five to 10 years. For money market accounts, the decay rates are 50% in three to 12 months and 50% in 13 to 36 months.

	3 Months or Less	More than 3 Months to 1 Year	More than 1 Year to 3 Years	More than 3 Years to 5 Years	More than 5 Years	Total Amount
	(Dollars in Thousands)					
Interest-earning assets(1):						
Investment securities(2)	1,000	999	3,000	440	121,605	$ 127,044
Mortgage-backed securities	11,195	13,451	11,732	16,962	36,457	89,797
Loans receivable(3)	34,135	40,146	59,282	37,679	62,618	233,860
Other interest earning assets	11,456					11,456
Total interest-earning assets	$ 57,786	$ 54,596	$ 74,014	$ 55,081	$ 220,680	$ 462,157
Interest-bearing liabilities:						
Savings accounts	$ 529	$ 54	$ 40,324	$ 13,441	$ 13,441	$ 67,789
Money market deposit and NOW accounts	-	34,701	50,082	5,127	5,127	95,037
Certificates of deposits	57,446	87,622	34,247	27,565	-	206,880
Advances from Federal Home Loan Bank	17,021	64	13,177	109	340	30,711
Advances from borrowers for taxes and insurance	1,944					1,944
Total interest-bearing liabilities	$ 76,940	$ 122,441	$ 137,830	$ 46,242	$ 18,908	$ 402,361
Interest-earning assets less interest-bearing liabilities	$ (19,154)	$ (67,845)	$ (63,816)	$ 8,839	$ 201,772	$ 59,796
Cumulative interest-rate sensitivity gap (4)	$ (19,154)	$ (86,999)	$ (150,815)	$ (141,976)	$ 59,796	
Cumulative interest-rate gap as a	-3.98%	-18.07%	-31.32%	-29.48%	12.42%	

percentage of total assets at June 30, 2008					
Cumulative interest-earning assets as a percentage of cumulative interest-bearing liabilities at June 30, 2008	75.11%	56.37%	55.28%	62.97%	114.86%

(1) Interest-earning assets are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments and contractual maturities.

(2) For purposes of the gap analysis, investment securities are stated at amortized cost.

(3) For purposes of the gap analysis, loans receivable includes non-performing loans and is gross of the allowance for loan losses and unamortized deferred loan fees, but net of undisbursed portion of loans-in-process.

(4) Interest-rate sensitivity gap represents the difference between net interest-earning assets and interest-bearing liabilities.

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Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their adjustable-rate loans may be adversely affected in the event of an interest rate increase.

Net Portfolio Value Analysis. Our interest rate sensitivity also is monitored by management through the use of a model which generates estimates of the changes in our net portfolio value ("NPV") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The following table sets forth our NPV as of June 30, 2008 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

Change in Interest Rates In Basis Points (Rate Shock)	Net Portfolio Value			NPV as % of Portfolio Value of Assets	
	Amount	$ Change	% Change	NPV Ratio	Change
	(Dollars in Thousands)				
300	$ 31,720	$ (45,433)	(58.89)%	7.54%	(8.48)%
200	45,181	(31,972)	(41.44)%	10.28%	(5.74)%
100	60,401	(16,752)	(21.71)%	13.14%	(2.88)%
Static	77,153	-	-	16.02%	-
(100)	85,731	8,578	11.12%	17.29%	1.27%
(200)	84,147	6,994	9.07%	16.84%	0.82%
(300)	81,764	4,611	5.98%	16.25%	0.23%

As is the case with the GAP Table, certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV requires the making of certain assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the models presented assume that the composition of our interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV model provides an indication of interest rate risk exposure at a particular point in time, such model is not intended to and does not provide a precise forecast of the effect of changes in market interest rates on net interest income and will differ from actual results.

ITEM 4T. CONTROLS AND PROCEDURES

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations and are operating in an effective manner.

No change in our internal control over financial reporting (as defined in Rule 13a-15(e) or 15d-15(f) under the Securities Exchange Act of 1934) occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

Item 1. Legal Proceedings

On October 4, 2006, Stilwell Value Partners I, L.P. (“Stilwell”), a shareholder in Prudential Bancorp, Inc. of Pennsylvania (the “Company”), filed suit in the United States District Court for the Eastern District of Pennsylvania against the Company, Prudential Mutual Holding Company (the “MHC”), and each of the directors of the Company and the MHC seeking injunctions preventing MHC from participating in any shareholder vote to consider the adoption, by the Company, of proposed stock option and stock recognition and retention plans (collectively, the “Stock Plans”) or, if injunctions were not entered, damages.

Stilwell alleged that the Company’s prospectus used to solicit offers to purchase shares of the Company’s common stock in connection with the mutual holding reorganization of Prudential Savings Bank (the “Bank”) “promised” that the Stock Plans would be submitted for consideration only by the Company’s public shareholders and not by the MHC which controls a majority of the Company’s issued and outstanding shares of common stock and that Stilwell relied on such promise in determining to invest in the common stock of the Company (a “promissory estoppel” claim). Stilwell also alleged that the individual directors violated their fiduciary duties to Stilwell by delaying the consideration of the Stock Plans until such time that MHC could vote its shares for the Stock Plans, thereby assuring their approval by shareholders. In addition, Stilwell asserted claims for “unjust enrichment” and for “disenfranchisement.” The Company, the MHC and the director defendants filed a motion to dismiss the complaint, asserting, among other things, that the prospectus contained no “promise,” implied or otherwise, that the MHC would never vote on the adoption of the Stock Plans and that the breach of fiduciary duty claim with respect to the timing of any such vote was legally insufficient. On August 15, 2007, the Court granted the motion to dismiss in significant part, ruling that there was no express promise of the sort that would support a promissory estoppel claim, no "unconscionability" of the sort that would support an unjust enrichment claim, and no "fundamental unfairness" of the sort that would support a claim for "disenfranchisement." The Court also ruled that Stilwell did not have standing to assert claims for breach of fiduciary duty against the directors individually. Accordingly, the Court dismissed, with prejudice, all of the claims against the Company and the individual directors and all but one of the claims against the MHC.

In the one claim remaining after the August 15, 2007 opinion, Stilwell alleged that the MHC had breached duties it owed as the majority shareholder of the Company in connection with the timing of the shareholder vote on the Stock Plans and would breach such duties, were it to vote for approval of the plans. Both Stilwell and MHC moved for a summary judgment on that claim. On April 25, 2008, Stilwell’s motion was denied and MHC’s motion was granted in part. Stilwell asked the Court to reconsider its ruling. On May 21, 2008, the Court denied Stilwell’s motion for reconsideration. The next day, Stilwell voluntarily dismissed, with prejudice, its breach of fiduciary duty claim against the MHC.

On June 11, 2008, Stilwell appealed to the United States Court of Appeals for the Third Circuit from the August 15, 2007 orders dismissing the promissory estoppel, unjust enrichment, and disenfranchisement claims. The appeal is pending.

As previously disclosed, on May 14, 2008, Stilwell made written demand that the Company prevent the directors of the Company from violating their fiduciary duties to the Company by implementing the Stock Plans without the approval of a majority of the minority shareholders. Stilwell also demanded that the directors be required to reimburse the Company for the costs of defense of the Stilwell lawsuit. Finally, Stilwell demanded that the Company’s board of directors require director John Judge to resign, or that they remove him from the board, because, in Stilwell’s opinion, Mr. Judge was no longer able to function as a director due to health reasons.

Mr. Judge resigned from the boards of directors of the Company, the MHC, and the Bank, effective June 18, 2008. Mr. Judge indicated that his decision to resign was the result of the consideration of both his health and that of his spouse and was also to avoid the expense and unpleasantness that would be occasioned by defending himself against the allegations made by Stilwell in its demand letter.

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The Company’s board is evaluating the remainder of Stilwell’s demands and anticipates responding to them in the near future.

Other than the above referenced litigation, the Company is involved in various legal proceedings occurring in the ordinary course of business. Management of the Company, based on discussions with litigation counsel, does not believe that such proceedings will have a material adverse effect on the financial condition or operations of the Company. There can be no assurance that any of the outstanding legal proceedings to which the Company is a party will not be decided adversely to the Company's interests and have a material adverse effect on the financial condition and operations of the Company.

Item 1A. Risk Factors

There were no material changes from the risk factors described in the Company’s annual report on Form 10-K for the year ended September 30, 2007.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Not applicable

(b) Not applicable

(c) Purchases of Equity Securities

The Company’s repurchases of its common stock made during the quarter are set forth in the following table:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plan or Programs(1)
April 1 – April 30, 2008	2,170	$ 12.10	2,170 -	15,730
May 1 – May 31, 2008	15,730	12.03	15,730	-
June 1 - June 30, 2008	-	-	-	-
Total	17,900	$ 12.04	17,900	-

Notes to the table

(1) On January 22, 2008, the Company announced its sixth stock repurchase program to repurchase up to 220,000 shares or approximately 5% of the Company’s outstanding common stock held by shareholders other than Prudential Mutual Holding Company (the “MHC”). The program commenced upon completion of the fifth stock repurchase program. The program was completed during May 2008. In addition, the MHC announced that its Board of Directors also approved the purchase of 220,000 shares or approximately 5% of the Company’s common stock held by shareholders other than the MHC. As of June 30, 2008, The MHC had purchased 47,000 shares at an

average cost of $12.12 per share.

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Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

Exhibit No.	Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.0	Section 1350 Certifications

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PRUDENTIAL BANCORP, INC. OF PENNSYLVANIA

Date: August 14,2008	By: /s/ Thomas A. Vento Thomas A. Vento President and Chief Executive Officer
Date: August 14, 2008	By: /s/ Joseph R. Corrato Joseph R. Corrato Executive Vice President and Chief Financial Officer

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