OLD SECOND BANCORP INC
Form DEF 14A
April 12, 2016

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

# SCHEDULE 14A

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

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

**Old Second Bancorp, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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o Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**OLD SECOND BANCORP, INC.**
**37 South River Street, Aurora, Illinois 60506**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**
**TO BE HELD MAY 17, 2016**

**TO THE STOCKHOLDERS:**

The annual meeting of stockholders of Old Second Bancorp, Inc., will be held on Tuesday, May 17, 2016, at 9:00 a.m., central time, at North Island Center, 8 East Galena Boulevard, Aurora, Illinois, for the following purposes:

1. to elect three members of the board of directors;

2. to approve, in a non-binding, advisory vote, the compensation of our named executive officers, as described in the proposal on Old Second's executive compensation disclosed in the proxy statement, which is referred to as the "say-on-pay" proposal;

3. to ratify an amendment to the Old Second Bancorp, Inc. 2014 Equity Incentive Plan to increase the maximum number of shares of common stock of the Company that may be delivered under the Plan;

4. to ratify an amendment to the Company's Amended and Restated Rights Agreement and Tax Benefits Preservation Plan to extend its expiration date;

5. to ratify the appointment of Plante & Moran, PLLC as our independent registered public accounting firm for the year ended December 31, 2016; and

6. to transact such other business as may properly be brought before the meeting or any postponements or adjournments of the meeting.

The board of directors is not aware of any other business to come before the meeting. Stockholders of record at the close of business on March 25, 2016 are the stockholders entitled to vote at the meeting and any and all adjournments or postponements of the meeting. In the event there are an insufficient number of votes for a quorum at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit further solicitation of proxies.

By order of the board of directors

James L. Eccher
Chief Executive Officer and President

Aurora, Illinois
April 15, 2016

**IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

**OLD SECOND BANCORP, INC.**

37 South River Street, Aurora, Illinois 60506

# PROXY STATEMENT

This proxy statement is furnished in connection with the solicitation by the board of directors of Old Second Bancorp, Inc., a Delaware corporation, of proxies to be voted at the annual meeting of stockholders. This meeting is to be held at North Island Center, 8 East Galena Boulevard, Aurora, Illinois, on May 17, 2016 at 9:00 a.m., central time, or at any postponements or adjournments of the meeting. Old Second conducts full service community banking and trust business through its wholly-owned subsidiary, Old Second National Bank.

A copy of our annual report for the year ended December 31, 2015, which includes audited financial statements, is enclosed. This proxy statement was first mailed to stockholders on or about April 15, 2016. As used in this proxy statement, the terms "Old Second," "the Company," "we," "our" and "us" all refer to Old Second Bancorp, Inc., and its subsidiaries. Additionally, the term "Bank" refers to Old Second National Bank.

**Why am I receiving this proxy statement and proxy form?**

You are receiving a proxy statement and proxy form from us because on March 25, 2016, the record date for the annual meeting, you owned shares of our common stock. This proxy statement describes the matters that will be presented for consideration by the stockholders at the annual meeting. It also gives you information concerning these matters to assist you in making an informed decision.

When you sign the enclosed proxy form, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy form, ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy form in advance of the meeting just in case your plans change.

If you have signed and returned the proxy form and an issue comes up for a vote at the meeting that is not identified on the form, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her best judgment.

**What matters will be voted on at the meeting?**

You are being asked to vote on: (i) the election of three nominees to our board of directors; (ii) a non-binding, advisory proposal to approve the compensation of our named executive officers, which is referred to as the "say-on-pay" proposal; (iii) the ratification of an amendment to the Old Second Bancorp, Inc. 2014 Equity Incentive Plan to increase the maximum number of shares of common stock of the Company that may be delivered under the Plan; (iv) the ratification of an amendment to the Company's Amended and Restated Rights Agreement and Tax Benefits Preservation Plan to extend its expiration date; (v) the ratification of Plante & Moran, PLLC as our independent registered public accounting firm for the year ended December 31, 2016; and (vi) any other business that may properly be brought before the meeting.

**How do I vote?**

A form of proxy is enclosed for use at the meeting. If the proxy is executed and returned, it may nevertheless be revoked at any time insofar as it has not been exercised. Stockholders attending the meeting may, on request, vote their own shares even though they have previously sent in a proxy. Unless revoked or instructions to the contrary are contained in the proxies, the shares represented by validly executed proxies will be voted at the meeting and will be voted "FOR" the election of the nominees for director named in this proxy statement, "FOR" the say-on-pay proposal, "FOR" the amendment to the 2014 Equity Incentive Plan, "FOR" the amendment to Company's Amended and Restated Rights

Agreement and Tax Benefits Preservation Plan and "FOR" the ratification of our independent registered public accounting firm.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of a broker or other fiduciary (or what is usually referred to as "street name"), you will need to arrange to obtain a proxy from the record holder in order to vote in person at the meeting. Even if you plan to attend the annual meeting, we ask that you complete and return your proxy card in advance of the annual meeting in case your plans change.

**What does it mean if I receive more than one proxy form?**

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with stockbrokers. Please sign and return **ALL** proxy forms to ensure that all your shares are voted.

**If I hold shares in the name of a broker, who votes my shares?**

If you received this proxy statement from your broker, your broker should have given you instructions for directing how your broker should vote your shares. It will then be your broker's responsibility to vote your shares for you in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers may generally vote on routine matters, such as ratifying the appointment of an independent registered public accounting firm, but cannot vote on non-routine matters, such as the adoption or amendment of a stock incentive plan, unless they have received voting instructions from the person for whom they are holding shares. If there is a matter presented to stockholders at a meeting and your broker does not receive instructions from you on how to vote on that matter, your broker will return the proxy card to us, indicating that he or she does not have the authority to vote on that matter. This is generally referred to as a "broker non-vote" and may affect the outcome of the voting on those matters.

The election of directors and the say-on-pay proposals are considered non-routine matters. Therefore, we encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the 2016 annual meeting upon receipt of our proxy materials. You should do this by carefully following the instructions your broker gives you concerning its procedures. This ensures that your shares will be voted at the meeting.

**What if I change my mind after I return my proxy card?**

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

- signing another proxy card with a later date and returning that proxy card to us;
- sending notice to us that you are revoking your proxy, or
- voting in person at the meeting.

If you hold your shares in the name of your broker or other fiduciary and desire to revoke your proxy, you will need to contact that party to revoke your proxy.

**How many votes do we need to hold the annual meeting?**

A majority of the shares that were outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business. On March 25, 2016, the record date, there were 29,483,429 shares of common stock outstanding. A majority of these shares must be present in person or by proxy at the meeting.

Shares are counted as present at the meeting if the stockholder either:

- is present in person at the meeting; or has properly submitted a signed proxy form or other proxy.

**What happens if any nominee is unable to stand for re-election?**

The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. Proxies cannot be voted for more than three nominees. The board has no reason to believe any nominee will be unable to stand for re-election.

**What options do I have in voting on each of the proposals?**

Except with respect to the election of directors, you may vote "for," "against" or "abstain" on each proposal properly brought before the meeting. In the election of directors you may vote "for" or "withhold authority to vote for" each nominee.

**How many votes may I cast?**

Generally, you are entitled to cast one vote for each share of stock you owned on the record date with respect to each of the proposals. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

**How many votes are needed for each proposal?**

A majority of votes present and entitled to vote at the meeting will approve each matter that arises at the annual meeting.

The directors are elected by a majority of votes present and entitled to vote at the meeting. For the election of directors, a "withhold authority" vote will have the same effect as a vote against the election of a particular director.

Please note that, because the say-on-pay vote is advisory, it will not be binding upon the board of directors or the Compensation Committee.

Abstentions and broker non-votes, if any, will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present. So long as a quorum is present, abstentions and broker non-votes will have no effect on the election of directors. Abstentions will have the effect of a vote against the say-on-pay proposal and the ratification of the appointment of our independent registered public accounting firm, while broker non-votes will not affect these votes.

**How are votes counted?**

Voting results will be tabulated and certified by the election judges.

**Where do I find the voting results of the meeting?**

If available, we will announce voting results at the meeting. The voting results will also be disclosed in a Form 8-K within four business days of the voting

**Important Notice Regarding the Availability of Proxy Material for the Stockholder Meeting to be held on May 17, 2016.**

Full copies of the proxy statement, the proxy card and other materials for the annual meeting are available on the internet at www.oldsecond.com under "2016 Annual Meeting Materials." Stockholders will receive a full set of these materials through the mail from us or from your broker.

## PROPOSAL 1

## ELECTION OF DIRECTORS

Old Second's board of directors is divided into three classes, approximately equal in number, which are elected by our common stockholders. At the annual meeting to be held on May 17, 2016, you, as the holder of our common stock, will be entitled to elect three directors for terms expiring in three years, as described herein. All of the nominees are incumbent directors who have served at least one term as a director of Old Second.

We have no knowledge that any of the nominees will refuse or be unable to serve as directors, but if any of the nominees becomes unavailable for election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting. The Nominating and Corporate Governance Committee of the board of directors of Old Second has nominated three persons set forth below for election as directors at this annual meeting, all of whom are incumbent directors.

Set forth below is information concerning the nominees for election and for the other directors whose term of office will continue after the meeting, including their age, year first elected or appointed as a director and business experience during the previous five years. The three nominees for director, if elected at the annual meeting, will serve for terms expiring in 2019. None of the directors serve on the boards of any other publicly traded companies besides Old Second.

Unless authority to vote for the nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted "FOR" the election of the nominees proposed by the board of directors.

**Board Recommendation:**

**The board of directors recommends you vote your shares "FOR" each of the nominees for director.**

**DIRECTORS**

**NOMINEES**

| Name | Served as Director Since | Principal Occupation |
|---|---|---|
| **(Term expiring 2019)** | | |
| Edward Bonifas (Age 56) | 2000 | Vice President, Alarm Detection Systems, Inc., producer and installer of alarm systems, closed circuit video systems and card access control systems. |
| William B. Skoglund (Age 65) | 1992 | Chairman of Old Second Bancorp, Inc. and Chairman of Old Second National Bank. Former Chief Executive Officer of Old Second Bancorp, Inc. (1998-2014), and Old Second National Bank (1996-2014). |
| Duane Suits (Age 65) | 2012 | Retired Partner, Sikich LLC, financial service firm, and Independent Financial Services Provider (2004-present). |

**CONTINUING DIRECTORS**

| Name | Served as Director Since | Principal Occupation |
|---|---|---|
| **(Term expires 2017)** | | |
| William Kane (Age 64) | 1999 | Partner, Label Printers, Inc., a printing company. |
| J. Douglas Cheatham (Age 59) | 2003 | Executive Vice President and Chief Financial Officer, Old Second Bancorp, Inc. (2007-present), Secretary, Old Second Bancorp, Inc. (2010-present), Sr. Vice President, Chief Financial Officer, Chief Accounting Officer and Assistant Secretary, Old Second Bancorp, Inc. (2003-2007). |
| Patti Temple Rocks (Age 57) | 2015 | Managing Director of the Chicago office of Golin (2011-present). |
| John Ladowicz (Age 63) | 2008 | Former Chairman and Chief Executive Officer of HeritageBanc, Inc. and Heritage Bank (1996-2008). |

| Name | Served as Director Since | Principal Occupation |
|---|---|---|
| **(Term expires 2018)** | | |
| James Eccher (Age 50) | 2006 | Chief Executive Officer and President, Old Second Bancorp, Inc. (2015-present), President and Chief Executive Officer, Old Second National Bank (2003-present), Executive Vice President and Chief Operating Officer, Old Second Bancorp, Inc. (2007-2015), Sr. Vice President and Branch Director, Old Second National Bank (1999-2003), President and Chief Executive Officer of Bank of Sugar Grove (1995-1999). |
| Barry Finn (Age 56) | 2004 | President and Chief Executive Officer, Rush-Copley Medical Center (2002-present), Chief Operating Officer and Chief Financial Officer, Rush-Copley Medical Center (1996-2002). |
| James F. Tapscott (Age 64) | 2015 | Partner, McGladrey LLP (1991-2015), Partner, Wilkes Besterfield and Co., Ltd. (1972-1991). |

All directors will hold office for the terms indicated, or until their earlier death, resignation, removal or disqualification and until their respective successors are duly elected and qualified. Except in connection with the restructuring of the Company's board of directors, there are no arrangements or understandings between any of the nominees, directors or executive officers and any other person pursuant to which any of our nominees, directors or executive officers have been selected for their respective positions. No nominee, member of the board of directors or executive officer is related to any other nominee, member of the board of directors or executive officer.

**Director Qualifications**

We have established minimum criteria that we believe each director should possess to be an effective member of our board. Those criteria are discussed in more detail on page 10 of this proxy statement. The particular experience, qualifications, attributes or skills that led the board to conclude that each member is qualified to serve on the board and any committee he or she serves on is as follows:

***Mr. Bonifas:*** We consider Mr. Bonifas to be qualified for service on the board, the Audit Committee, Nominating and Corporate Governance Committee and the Compensation Committee due to his skills and expertise acquired as a leader of a successful business and his prominence in the community. Mr. Bonifas also serves as Chairman of our IT Steering committee where he uses his business expertise for cybersecurity oversight.

***Mr. Cheatham:*** We consider Mr. Cheatham to be qualified for service on the board due to his experience in the financial services industry and the familiarity with Old Second's operations he has acquired as Chief Financial Officer of Old Second.

***Mr. Eccher:*** We consider Mr. Eccher to be qualified for service on the board due to his experience in the financial services industry and the familiarity with Old Second's operations he has acquired as the former Chief Operating Officer of Old Second and as the current Chief Executive Officer and President of Old Second and Old Second National Bank.

***Mr. Finn:*** We consider Mr. Finn to be a qualified candidate for service on the board and the Nominating and Corporate Governance Committee and the Audit Committee due to his business and financial expertise acquired as an executive at a successful local medical center, as well as his prominence in the community.

***Mr. Kane:*** We consider Mr. Kane to be a qualified candidate for service on the board and the Compensation Committee and the Nominating and Corporate Governance Committee due to his experience as a partner at a successful local business, his general experience in business and his prominence in the community.

***Mr. Ladowicz:*** We consider Mr. Ladowicz to be a qualified candidate for service on the board, the Audit Committee, Nominating and Corporate Governance Committee and the Compensation Committee due to his previous experience as a chief executive officer in the financial services industry, as well as his extensive knowledge of the market areas we entered through the acquisition of HeritageBanc, Inc. in 2008.

***Mr. Tapscott:*** We consider Mr. Tapscott to be qualified for service on the board due to his previous experience in accounting and financial matters as a partner of McGladrey LLP and Wilkes Besterfield and Co., Ltd.

***Ms. Temple Rocks:*** We consider Ms. Temple Rocks to be qualified for service on the board due to her previsous business experience and familiarity with the greater Chicago market as the managing director of the Chicago office of Golin.

***Mr. Skoglund:*** We consider Mr. Skoglund to be qualified for service on the board due to his skills and experience in the financial services industry and the intimate familiarity with Old Second's operations he has acquired as the former Chief Executive Officer of Old Second.

***Mr. Suits:*** Mr. Suits was originally appointed to our board as a Class B Director by the U.S. Department of the Treasury ("Treasury") pursuant to the terms of our Fixed Rate Cumulative Perpetual Preferred Stock (the "Series B Preferred Stock"). Mr. Suits' appointment was approved by the unanimous written consent of the board on November 20, 2012. Following our repayment of the outstanding dividends on the Series B Preferred Stock, Mr. Suits was appointed as a common stock director shortly after our 2014 annual meeting. We consider Mr. Suits to be a qualified candidate for service on the board and the Audit Committee due to his skills and experience in the financial services industry and his familiarity with Old Second's operations.

## CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

### General

Currently, the board of directors is made up of ten directors, who are elected by the holders of our common stock every three years to serve staggered terms. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of Old Second, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board and through committee membership, which is discussed below. The board has determined that all of the directors and nominees are "independent" as defined by the Nasdaq Stock Market, with the exception of Messrs. Skoglund, Cheatham and Eccher, each of whom is an executive officer or was an executive officer during the past three calendar years.

The board of directors held 11 regular and one special meetings during 2015. All of the directors attended at least 75% of these meetings and the meetings of the committees on which they served. We typically schedule a board meeting in conjunction with our annual meeting and expect that our directors will attend our annual meeting. Last year, all directors attended our annual meeting.

The board of directors believes that it is important to encourage the highest level of corporate ethics and responsibility. Among other things, the board adopted a Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees, as well as a procedure for allowing employees to anonymously report any problems they may detect with respect to our financial reporting. The Code of Business Conduct and Ethics, as well as other information pertaining to our committees, corporate governance and reporting with the Securities and Exchange Commission, can be found on our website at www.oldsecond.com.

The board of directors has standing Audit, Nominating and Corporate Governance and Compensation Committees, each of which is made up solely of directors who are deemed to be "independent" under the rules of Nasdaq. Nasdaq's independence rules include certain instances that will preclude a director from being deemed independent and the board reviews those requirements each year to determine a director's status as an independent director.

During its review of director independence, the board considered Mr. Finn's roles as President and Chief Executive Officer at Rush-Copley Medical Center and Mr. Skoglund's position as the Vice Chairman of Rush-Copley's board of directors. Our board determined that this does not preclude a finding that Mr. Finn is independent under Nasdaq's rules because Mr. Skoglund does not serve on Rush-Copley's compensation committee and has recused himself from any discussions or votes that involve Mr. Finn's salary. The board also reviewed certain transactions between Alarm Detection Systems, Inc., and the Company. Mr. Bonifas is a Vice President of Alarm Detections Systems, Inc. The board determined that Mr. Bonifas qualified as an independent director because the amounts paid to Alarm Detection Systems, which totaled approximately $257,540, by the Company were less than 5% of Alarm Detection System's gross revenues for 2015 and because Mr. Bonifas had no interest in the transaction with the Company, except an indirect and *de minimis* interest as a shareholder of Alarm Detection Systems.

Actions taken by each committee of the board are reported to the full board, usually at its next meeting. The principal responsibilities of each of the committees are described below.

### Audit Committee

The Audit Committee assists the board in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The Audit Committee is solely responsible for the pre-approval of all audit and non-audit services to be provided by our independent registered public accounting firm and exercises its authority to do so in accordance with a policy that it has adopted. Additionally, the Audit Committee reviews and approves all related party transactions between Old Second and related parties in accordance with Nasdaq's rules and regulations.

The members of our Audit Committee during 2015 were Messrs. Finn (who served as Chairman until October, when he became Chairman of the Nominating and Corporate Governance Committee and Mr. Suits became Chairman of the Audit Committee), Bonifas, Ladowicz and Suits, each of whom we have determined to be an independent director under Nasdaq's rules. We expect that these members will continue to serve on the committee in 2016. Mr. Finn served as chairman of the Audit Committee from 2008 until 2015. The Audit Committee met six times in 2015.

The board has designated Mr. Finn, who is currently President and Chief Executive Officer of Rush-Copley Medical Center and previously served as its Chief Operating Officer and Chief Financial Officer, and Mr. Suits as the "audit committee financial experts," as such term is defined by the regulations of the SEC. The board's determination was based upon Mr. Finn's level of knowledge and experience regarding financial matters and his experience overseeing and managing the audit of an organization, which he has gained both from his formal education and from his professional experience as the Chief Financial Officer of a regional hospital organization, and upon Mr. Suits' experience as an independent financial consultant and as the founding partner of Sikich Gardner & Co., LLP, a public accounting and consulting firm. The board believes that each of the other members of the Audit Committee possesses knowledge and experience sufficient to understand the complexities of the financial statements of Old Second. Mr. Finn and Mr. Suits are both considered to be "independent" directors as defined by Nasdaq. Mr. Finn, or another member of the Audit Committee, met on a quarterly basis during 2015 with our independent registered public accounting firm.

The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at www.oldsecond.com. You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to corporatesecretary@oldsecond.com.

**Compensation Committee**

The Compensation Committee reviews the performance of Old Second's executive officers and establishes their compensation levels. The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at www.oldsecond.com. You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to corporatesecretary@oldsecond.com. The Compensation Committee met two times during 2015.

*Compensation Committee Interlocks and Insider Participation.* The members of the Compensation Committee in 2015 were Messrs. Bonifas, Kane, Ladowicz and Palmer (who served as Chairman until his retirement in October at which point Mr. Ladowicz became the Chairman of the Compensation Committee), each of whom is an "independent" director as defined by Nasdaq, an "outside" director pursuant to Section 162(m) of the Internal Revenue Code and a "non-employee" director under Section 16 of the Securities Exchange Act of 1934 (the "*Exchange Act*"). We expect that the current members will continue to serve on the committee in 2016.

**Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee reviews the qualifications of, and recommends to the board for nomination, candidates to stand for election at each annual meeting or to fill vacancies on the board as they may occur during the year. The committee also reviews on a periodic basis whether each director is "independent" under the rules of Nasdaq. Additionally, the Nominating and Corporate Governance Committee is responsible for reviewing our policies, procedures and structure as they relate to corporate governance. The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at www.oldsecond.com. You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to corporatesecretary@oldsecond.com. The Nominating and Corporate Governance Committee met one time in 2015.

The members of the Nominating and Corporate Governance Committee in 2015 were Messrs. Finn, Kane, Bonifas, Ladowicz and Palmer (who served as Chairman until his retirement in October), each of whom is deemed to be an independent director under Nasdaq's rules. It is anticipated that the Nominating and Corporate Governance Committee will consist of Messrs. Finn, Kane, Bonifas and Ladowicz throughout 2016. Mr. Finn is expected to serve as Chairman of the committee in 2016.

**Director Nominations and Qualifications**

In making its nominations for persons to be elected to the board of directors and included in our proxy statement, the Nominating and Corporate Governance Committee evaluates incumbent directors, board nominees and persons nominated by stockholders, if any. The committee reviews each candidate in light of the criteria that we believe each director should possess. Included in the criteria are whether each nominee: (i) meets the minimum requirements for service on the board of directors contained in our bylaws; (ii) is under the age of 70 at the time of his or her election, as required by our certificate of incorporation; (iii) possesses the highest personal and professional ethics, integrity and values; (iv) has, in the committee's opinion, a sufficient educational and professional background and relevant past and current employment affiliations, board affiliations and experience for service on the board; (v) has demonstrated effective leadership and sound judgment in his or her professional life; (vi) has a strong sense of service to the communities that we serve; (vii) has exemplary management and communication skills; (viii) is free of conflicts of interest that would prevent him or her from serving on the board; (ix) will ensure that other existing and future commitments do not materially interfere with his or her service as a director; (x) will review and agree to meet the standards and duties set forth in the Company's Code of Business Conduct and Ethics; (xi) is willing to devote sufficient time to carrying out his or her duties and responsibilities effectively; and (xii) is committed to serving on the board for an extended period of time. While we do not have a separate diversity policy, the committee does consider the diversity of its directors and nominees in terms of knowledge, experience, skills, expertise and other demographics which may contribute to the board. The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and to determine whether they are "independent" in accordance with Nasdaq requirements (to ensure that at least a majority of the directors will, at all times, be independent).

The committee, when considering potential board members, will look at all of the foregoing criteria and arrive at the candidate that best meets the items set forth. The various qualifications and criteria are normally considered by the committee in connection with its evaluation of who the committee will recommend as the Company's nominees. Generally, each incumbent director standing for re-election should have and will have, at a minimum, attended at least 75% of board meetings during the past year and attended a majority of committee meetings of which he or she is a member. The committee retains the ability to make exceptions to this attendance requirement as individual circumstances warrant.

All of the nominees for election as directors for the 2016 annual meeting were nominated by the committee. The committee did not receive any formal nominations for directors from our common stockholders.

**Common Stock Ownership and Retention Guidelines for Directors**

In order to align the interests of board members and stockholders, each director is required to develop a significant equity stake in the organization they oversee. The Compensation Committee is responsible for monitoring compliance with these stock ownership and retention guidelines.

Non-employee directors are expected to acquire and hold during their service as board members, shares of our common stock equal in value to at least three times the annual cash retainer for non-employee directors. Non-employee directors have three years from their initial election to the board to meet the target stock ownership guidelines. Once they obtain the requisite number of shares, they are expected to continuously own sufficient shares to meet the guidelines. The stock ownership goal will be determined by using the value of their retainers as of January 1 of each year and the average closing stock price for our common stock over the prior twelve months.

Shares that count toward meeting the stock ownership guidelines include: (i) shares owned, which include shares obtained upon exercise of options or shares purchased in the open market; (ii) shared ownership, which includes shares owned or held in trust by immediate family; and (iii) restricted stock units. Unexercised stock options do not count toward meeting the stock ownership guidelines. Until such time as the director reaches his or her target stock ownership, the director will be required to hold 50% of the shares of common stock received upon lapse of the restrictions, and upon exercise of stock options. In the rare instance in which these guidelines would place a severe hardship on a director, the Compensation Committee may decide to allow an alternative stock ownership guideline that reflects the intentions of these overall guidelines and the directors' own personal circumstances.

**Board Leadership Structure**

The roles of Chairman of the Board and Chief Executive Officer are separate positions within our Company. Mr. Skoglund, our former Chief Executive Officer, serves as our Chairman, and Mr. Eccher serves as our Chief Executive Officer and President. We separate the roles of Chairman and Chief Executive Officer in recognition of the differences between the two roles.

Our board of directors has also created the position of a "lead" independent director, who assists the board of directors in assuring effective corporate governance, and serves as chairman when the board of directors meets in independent director sessions. In 2015, Gerald Palmer served as our lead independent director until his resignation on October 13, 2015 in connection with his reaching the mandatory retirement age. Subsequently, our board of directors designated Mr. Finn to serve as the Company's lead independent director. The Nominating and Corporate Governance Committee reviews this appointment annually and the full board has the opportunity to ratify the committee's selection.

Our board of directors believes this structure is appropriate for our Company because it allows the Chief Executive Officer to focus on our strategic direction and our day-to-day leadership and performance, and we are also able to leverage the experience and perspective of the Chairman through his guidance to the Chief Executive Officer and his management team as well as to the board of directors. In addition, the lead independent director, who is an independent member of our Board, provides independent leadership within our Board that strengthens its effectiveness and oversight of our business.

**Board's Role in Risk Oversight**

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as the impact of competition. Management is responsible for the day-to-day management of risks the Company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

While the full board of directors is charged with ultimate oversight responsibility for risk management, various committees of the board and members of management also have responsibilities with respect to our risk oversight. In particular, the Audit Committee plays a large role in monitoring and assessing our financial, legal and organizational risks, and receives regular reports from the management team's senior risk officer regarding comprehensive organizational risk as well as particular areas of concern. The board's Compensation Committee monitors and assesses the various risks associated with compensation policies, and oversees incentives that encourage a level of risk-taking consistent with our overall strategy. Mr. Bonifas, the Chairman of the IT Steering Committee, will serve as our cybersecurity expert. Additionally, our senior credit officer and loan review staff are directly responsible for overseeing our credit risk.

We believe that establishing the right "tone at the top" and providing for full and open communication between management and the board of directors are essential for effective risk management and oversight. Our executive management meets regularly with our other senior officers to discuss strategy and risks facing the Company. Senior officers attend many of the board meetings, or, if not in attendance, are available to address any questions or concerns raised by the board on risk management-related and any other matters. Additionally, each of our board-level committees provides regular reports to the full board and apprises the board of our comprehensive risk profile and any areas of concern.

**Stockholder Communications with the Board; Nomination and Proposal Procedures**

***Stockholder Communications with Directors.*** Stockholders of Old Second may contact any member of the board of directors, or the board as a whole, through the Corporate Secretary either in person, in writing by mail or by e-mail at corporatesecretary@oldsecond.com. Any such communication should indicate whether the sender is an Old Second stockholder. The address for submitting communications to the board by mail is 37 South River Street, Aurora, Illinois 60506. Any communication will be forwarded promptly to the board as a group or to the attention of a specified director per your request, except for communications that are primarily commercial in nature or related to an improper or irrelevant topic.

***Nominations of Directors.*** In order for a stockholder nominee to be considered by the Nominating and Corporate Governance Committee to be its nominee and included in our proxy statement, the nominating stockholder must file a written notice of the proposed director nomination with our Corporate Secretary, at the above address, at least 120 days prior to the date on which the previous year's proxy statement was mailed to stockholders. Nominations must include the full name and address of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years and, as to the stockholder giving the notice, his or her name and address, and the class and number of shares of our capital stock owned by that stockholder. All submissions must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The committee may request additional information in order to make a determination as to whether to nominate the person for director.

In accordance with our Certificate of Incorporation, a stockholder may otherwise nominate a director for election to the board at an annual meeting of stockholders by giving timely notice in writing to our Corporate Secretary, at the address provided above. To be timely, stockholder nominations must be made in writing, delivered or mailed by first class United States mail, postage prepaid, to our Corporate Secretary not fewer than 60 days nor more than 90 days prior to the anniversary date of the prior year's annual meeting. Each written nomination must set forth (i) the name, age, business address and residential address of the nominee; (ii) the principal occupation or employment of such person; (iii) the class and number of shares of the Company's stock which are beneficially owned by such person on the date of such stockholder notice; and (iv) any other information relating to such person that would be required to be disclosed on Schedule 13D pursuant to Regulation 13D under Exchange Act and pursuant to Regulation 14A under the Exchange Act. The nominating stockholder must also provide certain information regarding his, her or itself including (a) the name and address, as they appear on the Company's books, of such stockholder and the name and principal business or residential address of any other beneficial stockholders known by such stockholder to support the nominees; and (b) the class and number of shares of Old Second's stock which are beneficially owned by the stockholder on the date of the stockholder notice.

***Other Stockholder Proposals.*** To be considered for inclusion in our proxy statement and form of proxy relating to our 2017 annual meeting of stockholders, the proposing stockholder must file a written notice of the proposal with our Corporate Secretary, at the above address, by December 6, 2016, and must otherwise comply with the rules and regulations set forth by the Securities and Exchange Commission.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock at December 31, 2015, by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock, by each director or nominee, by each executive officer named in the Summary Compensation Table (which can be found later in this proxy statement), and by all directors and executive officers of Old Second as a group. Beneficial ownership has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), under which a person is deemed to be the beneficial owner of securities if he or she has or shares voting power or investment power with respect to such securities or has the right to acquire beneficial ownership of securities within 60 days of December 31, 2015.

| Name of Individual and Number of Persons in Group | Common Stock(1)(2) | Percent of Class of Common Stock |
|---|---|---|
| **Directors and Executive Officers:** | | |
| Edward Bonifas | 104,507 | * |
| J. Douglas Cheatham(3) | 129,952 | * |
| James Eccher(4) | 185,105 | * |
| Barry Finn(5) | 40,386 | * |
| Keith Gottschalk(6) | 42,773 | * |
| William Kane | 66,659 | * |
| John Ladowicz | 313,454 | 1.1 |
| Donald Pilmer(7) | 36,613 | * |
| William B. Skoglund(8) | 197,731 | * |
| Duane Suits | 25,609 | * |
| James Tapscott | 5,000 | * |
| Patti Temple Rocks | 165 | * |
| All directors and executive officers as a group (12 persons) | 1,147,954 | 3.6 |
| **5% Stockholders** | | |
| The Banc Funds Company L.L.C.(9) | 2,475,284 | 8.4 |
| Blackrock, Inc.(10) | 1,514,650 | 5.1 |

* Less than 1%.

(1) Includes ownership of shares of our common stock by spouse (even though any beneficial interest is disclaimed) and in our profit sharing plan and trust and our salary savings plan.

(2) Each director, with the exception of Mr. Cheatham, Mr. Eccher, Mr. Skoglund, Mr. Ladowicz and Mr. Suits, holds a total of 4,500 options from grants of 1,500 shares in each of 2005-2009. Mr. Ladowicz was appointed to the board on February 8, 2008 and was awarded options in February of 2009 of 1,500 shares, along with the other Board members. All options vest in three equal installments on the first three anniversaries of the grant date and the exercisable portion is included in these totals.

(3) Includes 27,000 shares issuable pursuant to options held by Mr. Cheatham. Also includes 9,000 restricted stock units granted in February of 2016; 9,000 restricted stock units granted in March of

2015; 17,500 restricted stock units granted in June of 2014 and 20,000 restricted stock units granted in April of 2013. Also includes 4,192 shares held in our profit sharing plan and trust, 38,736 shares held in our 401(k) plan and 13,523 shares held in Mr. Cheatham's name alone. 43% of the 2014 award of restricted stock units will vest in 2017, which is the third anniversary of the date of grant, and 57% will vest if the Company achieves return on assets of at least 1% on or before December 31, 2017. The 2013 award of restricted stock units are subject to three-year cliff vesting and will fully vest in 2016.

(4) Includes 32,000 shares issuable pursuant to options held by Mr. Eccher. Also includes 30,000 restricted stock units granted in February of 2016; 25,000 restricted stock units granted in March of 2015; 40,000 restricted stock units granted in June of 2014 and 25,000 restricted stock units granted in April of 2013. Also includes 1,960 shares held in our profit sharing plan and trust, 7,037 shares held in our 401(k) plan, 50 shares in his name alone, 148 shares held with his spouse, and 48,910 shares held in brokerage. 25% of the 2014 award of restricted stock units will vest in 2017, which is the third anniversary of the date of grant, and 75% will vest if the Company achieves return on assets of at least 1% on or before December 31, 2017. The 2013 award of restricted stock units are subject to three-year cliff vesting and will fully vest in 2016.

(5) Includes 290,908 shares held in an IRA account.

(6) Includes 7,000 restricted stock units granted in February of 2016; 7,000 restricted stock units granted in March of 2015; 12,500 restricted stock units granted in June of 2014 and 10,000 restricted stock units granted in April of 2013. Also includes 6,273 shares held in Mr. Gottschalk's name in our profit sharing plan and trust. 40% of the 2014 award of restricted stock units will vest in 2017, which is the third anniversary of the date of grant, and 60% will vest if the Company achieves return on assets of at least 1% on or before December 31, 2017. The 2013 award of restricted stock units are subject to three-year cliff vesting and will fully vest in 2016.

(7) Includes 7,000 restricted stock units granted in February of 2016; 7,000 restricted stock units granted in March of 2015; 12,500 restricted stock units granted in June of 2014 and 10,000 restricted stock units granted in April of 2013. Also includes 93 shares held in our profit sharing plan and trust and 20 shares held in Mr. Pilmer's name as custodian. 40% of the 2014 award of restricted stock units will vest in 2017, which is the third anniversary of the date of grant, and 60% will vest if the Company achieves return on assets of at least 1% on or before December 31, 2017. The 2013 award of restricted stock units are subject to three-year cliff vesting and will fully vest in 2016.

(8) Includes 72,000 shares issuable pursuant to options held by Mr. Skoglund. Also includes 5,000 restricted stock units granted February of 2016; 2,500 restricted stock units granted in March of 2015; 20,000 restricted stock units granted in June of 2014 and 30,000 restricted stock units granted in April of 2013. The total also includes 47,038 shares held in our profit sharing plan and trust, 14,206 shares held in our 401(k) plan, 532 shares held in Mr. Skoglund's name alone, and 61,455 shares held in a trust account. All outstanding restricted stock units granted in 2013 and 2014 became fully vested upon Mr. Skoglund's retirement on December 31, 2014.

(9) According to information obtained from a Schedule 13G filed by affiliates of The Banc Funds Company, L.L.C. with the SEC on February 9, 2016, The Bank Funds Company, L.L.C.'s business address is 20 North Wacker Drive, Suite 3300, Chicago, Illinois 60606.

(10) Based solely on information obtained from a Schedule 13G filed by BlackRock, Inc. with the SEC on January 28, 2016 reporting beneficial ownership as of December 31, 2015. According to this report, BlackRock, Inc.'s business address is 55 East 52nd Street, New York, New York 10055. According to the report, the following subsidiaries of BlackRock, Inc. hold shares of our common stock, none of which beneficially owns 5% or greater of our outstanding shares: BlackRock Advisors, LLC, BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management, LLC.

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

Section 16(a) of the Exchange Act requires that our directors, executive officers and ten percent stockholders file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the Section 16(a) reports furnished to us with respect to 2015 and written representations from our executive officers and directors, we believe that all Section 16(a) filing requirements applicable to each covered person were satisfied during 2015 resulting in no late filings.

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis ("CD&A") describes our compensation philosophy and policies for 2015 and 2016 as applicable to the named executive officers in the Summary Compensation Table set forth below. This section explains the structure and rationale associated with each material element of our named executive officers' compensation, and it provides important context for the more detailed disclosure tables and specific compensation amounts provided following the section. Our CD&A is organized as follows:

*Overview and Executive Summary.* Background context and highlights are provided to put the overall disclosure in perspective.

*Objectives of Our Compensation Program.* The objectives of our executive compensation program are based on our business model and the competitive pressures we face in attracting and retaining executive talent. We structure our executive compensation program to reflect our compensation philosophy and related operating principles.

*Elements of Compensation.* The key components of our compensation program are base salary, annual bonuses and long-term equity awards, with an emphasis on tying executive compensation to performance.

*Compensation Process.* Our executive compensation programs are regularly reviewed to ensure that we meet our compensation objectives and to ensure that our compensation program does not pose material risks to the Company.

*Analysis of 2015 Compensation.* Decisions on 2015 compensation are analyzed and explained in the context of our compensation objectives and performance.

*Regulatory Considerations.* We consider guidance established by the Federal Deposit Insurance Corporation (the "FDIC") and other bank regulatory agencies, in addition to various other regulatory requirements, in making decisions about executive compensation.

**Overview and Executive Summary**

***Business Overview.*** The Company, through its banking subsidiary, provides lending, deposit, and trust services for businesses and individuals. We offer competitive commercial and personal banking products and are committed to providing superior customer service. We place a high priority on community service and are actively involved with many civic and community projects in the communities where we conduct business. We operate in an intensely competitive and uncertain business environment. From a business perspective, not only do we compete with numerous companies in our markets for customers, but we also compete with many different types and sizes of organizations for senior leadership capable of executing our business strategies. Among other challenges, our business model requires experienced leaders with banking and operational expertise who are capable of taking on high levels of personal responsibility in an ever-evolving banking industry and economy.

***Financial and Operational Performance.*** During our fiscal year ending December 31, 2015, we continued our emphasis on sustaining profitability and growth as primary objectives. Specific accomplishments in 2015 that directly impacted those objectives include:

- Reduction in classified assets by 39.2%;
- Net income of $15.4 million highlighted by lower credit costs, loan loss reserve releases and lower insurance costs; and
- Balance sheet growth of $16.1 million.

***Overview of Our Executive Compensation Programs.*** It is important to note that the Company and the Bank share an executive management team, the members of which are compensated by the Bank rather than the Company. The compensation packages of the named executive officers are determined and approved by our Compensation Committee based upon their performance and roles for both the Company and the Bank.

The Company and the Bank are committed to paying for performance. This commitment is reflected by the significant portion of our named executive officers' compensation that is provided through performance-based programs. Our executive compensation programs evolve and are adjusted over time to support the business goals of the Company and the Bank and to promote both near- and long-term profitable growth. Total compensation for each named executive officer varies with performance in achieving financial and nonfinancial objectives.

Accordingly, our executive compensation, particularly metrics for the organization's short-term incentive plans, focused on the following goals and accountabilities: our and the Bank's net income growth; specific profit center performance; asset-credit quality risk; reduction in classified assets; and cost savings initiatives. These metrics were prudently designed to contain and minimize risk while at the same time emphasizing growth and profitability.

***Say-on-Pay.*** We received approximately 94% of votes cast in support of our executive compensation program during the 2015 annual stockholders meeting. We, our board and the Compensation Committee pay careful attention to communications received from stockholders regarding executive compensation, including the non-binding advisory vote. We considered the positive result of the 2015 advisory vote on executive compensation but not for specific 2015 compensation decisions. Based on this consideration and the other factors described in this CD&A, the Compensation Committee did not alter the policies or structure for named executives' compensation for 2015.

**Objectives of Our Compensation Program**

The goal of our compensation program is to align the interests of management with those of our stockholders while minimizing undue risk-taking. The Compensation Committee has designed our executive compensation program in a manner that does not provide our executives with incentives to engage in business activities or other behavior that would threaten our value or the investments of our stockholders.

The executive compensation program is intended to accomplish the following objectives:

- Pay for performance;
- tie equity compensation to long-term value creation for our stockholders;
- align the financial interests of our named executive officers with those of our stockholders;
- maintain a corporate environment that encourages stability and a long-term focus for both us and our management;

maintain a program that:

- clearly motivates personnel to perform and succeed according to our current goals;
- attracts and retains key personnel critical to our long-term success; and
- does not encourage undue risk-taking; and

ensure that management:

- fulfills its oversight responsibility to its constituents which include stockholders, customers, employees, the community and government regulatory agencies;
- conforms its business conduct to the highest ethical standards;
- remains free from any influences that could impair or appear to impair the objectivity and impartiality of its judgments or treatment of our constituents; and
- continues to avoid any conflict between its responsibilities to us and each individual's personal interests.

**Elements of Compensation**

Our named executive officers' compensation program consists of four main components: (i) base salary, (ii) annual cash bonus, (iii) equity awards, and (iv) additional benefits.

The Compensation Committee's decisions regarding each of the components for the named executive officers are based in part on the Compensation Committee's subjective judgment and take into account qualitative and quantitative factors, as are discussed below. In reviewing an executive officer's compensation, the Compensation Committee considers and evaluates all components of the officer's total compensation package. This involves reviewing base salary, bonus, incentive equity awards, perquisites, participation in our non-qualified executive plans, participation in our 401(k) plan and any other payments, awards or benefits that an officer earns. Additionally, the Compensation Committee takes into consideration any amounts an executive officer is entitled to upon retirement, termination or a change-in-control event.

The following overview explains the structure and rationale of the elements of compensation used for 2015.

***Base Salary.*** The Compensation Committee believes that base compensation should offer security to each executive sufficient to maintain a stable management team and environment. In order to provide such stability, the Compensation Committee uses salaries to make up the largest portion of the named executives' compensation. In establishing an executive officer's initial base salary the Compensation Committee considers, among other things, the executive's level of responsibility, prior experience, breadth of knowledge, the competitive salary practices at peer companies, internal performance objectives, education, internal pay equity, potential bonus and equity awards, level of benefits and perquisites and the tax deductibility of base salary.

The Compensation Committee reviews salaries of the named executive officers on an annual basis. As with all of its decisions regarding compensation levels, when reviewing salaries the Compensation Committee considers the levels of all aspects and components of the officer's compensation, including the individual's potential bonus and equity awards as well as the level of benefits and perquisites offered. All of these factors are considered on a subjective basis in the aggregate, and none of the factors is accorded a specific weight.

***Annual Cash Bonus.*** In 2015, the Compensation Committee adopted a non-equity incentive compensation plan (the "Bonus Plan") for our named executive officers. The Bonus Plan established a structure under which Messrs. Eccher, Cheatham, Gottschalk and Pilmer are eligible for cash bonus

payments if our performance during a fiscal year meets or exceeds certain performance goals; provided that, the Compensation Committee ultimately has discretion to determine the amount of any bonuses awarded. Maximum bonus opportunities are capped to avoid encouraging excessive risk-taking and to avoid any focus on maximizing short-term results at the expense of long-term soundness.

The Bonus Plan is designed to provide an incentive to achieve corporate financial goals while considering the mitigation of any risks which may affect our overall financial performance. Generally speaking, targets are set so that improvement in a performance metric is necessary in order to receive any or all of the bonus payout with respect to that metric.

In setting the performance metrics, Mr. Eccher provides recommendations with respect to members of management other than himself to the Compensation Committee. The Compensation Committee then, outside the presence of Mr. Eccher, considers factors applicable to Mr. Eccher's annual bonus.

***Equity Awards.*** Our board and the Compensation Committee believe in senior management ownership of our common stock as an effective means to align the interests of senior management with those of the stockholders. Our current long-term incentive plan (the "Incentive Plan"), which was approved by stockholders at the 2014 annual meeting, is intended to promote equity ownership in the Company by the directors and selected officers and employees, focus the management team on increasing value to stockholders, increase their proprietary interest in the success of the Company and encourage them to remain in the employ of the Company or its subsidiaries for a long period of time. The Incentive Plan authorizes the issuance of up to 375,000 shares of our common stock, including the granting of qualified stock options, non-qualified stock options, restricted stock, restricted stock units and stock appreciation rights. In February 2016, the Board approved an amendment to increase the number of shares authorized for issuance under the Incentive Plan by 600,000 shares, pending shareholder approval. As a result, following shareholder approval, 975,000 shares will be authorized for issuance under our Incentive Plan.

We also maintain our prior 2008 Equity Incentive Plan (the "2008 Plan"), which was approved by stockholders at the 2008 annual meeting. After the adoption of the Incentive Plan, no additional awards may be granted under the 2008 Plan. Any shares that become available for reuse under the 2008 Plan, whether due to forfeiture or otherwise, may be delivered under the Incentive Plan. The 2008 Plan authorized the issuance of up to 575,000 shares of our common stock, including the granting of qualified stock options, non-qualified stock options, restricted stock, restricted stock units and stock appreciation rights.

All awards are at the discretion of the Compensation Committee and are generally subjective in nature. In determining the number of equity awards to be granted to executive officers, the Compensation Committee considers individual and corporate performance and whether the respective goals were obtained, the person's position and ability to affect profits and stockholder value, as well as the level of awards granted to individuals with similar positions at our peer organizations. Because of the nature of equity awards, the Compensation Committee also evaluates the prior awards of stock options and restricted stock and takes into account the overall wealth accumulation of a given executive officer through such awards.

Pursuant to a formal equity compensation policy, all equity grants are finalized in the beginning of each calendar year. This allows for a more complete review of the full prior year when making equity awards as well as coordinating the granting of equity awards to a time when there is less likelihood of there being existing material, non-public information, as the grants will normally be made after the public release of our financial information for the prior year.

***Retirement Benefits.*** We sponsor a tax-qualified 401(k) savings plan and trust intended to be qualified under Section 401(k) of the Internal Revenue Code. Virtually all employees are eligible to participate after meeting certain age and service requirements. Eligible employees are permitted to contribute up to a dollar limit set by law. Participants can choose between several different investment options under the 401(k) plan, including shares of our common stock.

During 2015, we provided a matching contribution on elective deferrals to eligible participants in an amount equal to 2% of each participant's salary. There is also a profit-sharing portion of the 401(k) plan which provides for an annual discretionary contribution to the retirement account of each employee based in part on our profitability in a given year and on each participant's annual compensation. The contribution amount granted each year is on a discretionary basis and there is no set formula used by the Compensation Committee. For 2015, the Compensation Committee elected not to make a discretionary profit sharing contribution. In February 2016, the Board approved increasing the matching contribution on elective deferrals to eligible participants to an amount equal to 3% of each participants' salary.

***Deferred Compensation.*** We sponsor an executive deferred compensation plan (the "Executive Deferred Compensation Plan"), which provides a means for certain executives to voluntarily defer all or a portion of their salary and/or bonus, if any, without regard to the statutory limitations applicable to tax-qualified plans, such as our 401(k) plan. The Executive Deferred Compensation Plan provides for participant deferrals, company matching contributions and discretionary employer profit-sharing contributions. A company matching contribution is credited to the plan on behalf of a participant when the participant elects to defer the maximum amount permitted under the 401(k) plan (including catch-up contributions, if applicable) and keeps that level of deferral for the entire plan year. The company matching contribution is an amount up to 3%, provided at least a 6% deferral was met, of the participant's combined base salary and bonuses, less any matching contribution paid to the 401(k) plan on the participant's behalf. The determination of whether a profit-sharing contribution is made and in what amount is entirely at the Compensation Committee's discretion and there is no set formula. Participants are permitted to make hypothetical investments in publicly-traded mutual funds that are held in an insurance company separate account with respect to the deferrals and our contributions credited to their accounts under the Executive Deferred Compensation Plan. Participants may elect to receive their Executive Deferred Compensation Plan balance in a lump sum or in installments. Participants may make a withdrawal from the plan during their employment in the event of hardship as approved by the plan's administrator. The plan is administered through an independent service provider. Messrs. Eccher, Cheatham and Gottschalk currently have account balances under the Executive Deferred Compensation Plan.

***Perquisites and Other Benefits.*** We provide general and customary benefit programs to executive officers and other employees. Benefits offered to executives are intended to serve a different purpose than base salary, bonus and equity awards. While the benefits offered are competitive with the marketplace and help attract and retain executives, the benefits also provide financial security for employees for retirement as well as in the event of illness, disability or death. The benefits we offer to executive officers are generally those offered to other employees with some variation to promote tax efficiency and replacement of benefit opportunities lost to regulatory limits although there are some additional perquisites that may only be offered to executive officers. Because of the nature of the benefits offered, the Compensation Committee normally does not adjust the level of benefits offered on a year-to-year basis. We will continue to offer benefits, the amount of which shall be determined from time-to-time in the sole discretion of the Compensation Committee.

The following table summarizes the benefits and perquisites we do and do not provide as well as identifies those employees that may be eligible to receive them:

| | Executive Officers | Other Officers/Mgrs. | Full-Time Employees |
|---|---|---|---|
| **Health Plans:** | | | |
| Life & Disability Insurance | X | X | X |
| Medical/Dental/Vision Plans | X | X | X |
| **Retirement Plans:** | | | |
| 401(k) Plan/Profit-Sharing | X | X | X |
| Deferred Compensation Plan | X | X | Not Offered |
| **Perquisites:** | | | |
| Automobile Allowance | X | Not Offered | Not Offered |
| Country Club Membership | X | Not Offered | Not Offered |

It is our belief that perquisites for executive officers should be very limited in scope and value. Due to this philosophy, we have generally provided very nominal benefits to executives that are not available to full-time employees, and we plan to continue this approach in the future. We do provide country club memberships to certain executives and managers in the ordinary course of business to give them the opportunity to bring in and recruit new business opportunities. These individuals are eligible to use the club membership for their own personal use. Additionally, we provide Mr. Eccher with an automobile allowance to enable him to visit our banking locations on a regular basis as well as to call on our customers. We have disclosed the value of all perquisites to named executive officers in the Summary Compensation Table even if they fall below the disclosure thresholds under the SEC rules. We will continue to offer perquisites, the amount of which shall be determined from time-to-time in the sole discretion of the Compensation Committee.

***Employment Agreements.*** In connection with his appointment as President and Chief Executive Officer of the Company, Mr. Eccher entered into an employment agreement effective as of January 1, 2015 which provides for severance benefits in the event of an involuntary termination following a change in control, as well as salary continuation following certain other involuntary terminations. The Company has entered into Compensation and Benefits Assurance Agreements with each of the remaining named executive officers which provide for severance benefits in the event of a qualifying termination following a change in control. We believe these agreements help us recruit and retain executives with the experience, skills, knowledge and background needed to achieve our business goals and strategy.

***Acceleration of Equity Awards.*** All employees, including the named executive officers, who receive equity awards under our Incentive Plan will immediately vest in any unvested equity awards held by such employees upon the occurrence of a change in control if (i) the equity plan and the respective awards are not assumed by the surviving entity or (ii) the plan and the respective awards are assumed by the surviving entity but the individual is terminated without cause or resigns for good reason. There are no unvested awards under our 2008 Plan. Additionally, under the terms of the Assurance and Employment Agreements discussed above, all equity awards held by a named executive officer will become vested and exercisable upon a qualifying termination following a change in control.

***Tax Gross-Ups.*** Under Section 280G of the Internal Revenue Code (the "Code"), an executive may be subject to excise taxes on certain benefits received in relation to a change in control of the Company. Mr. Eccher's employment agreement provides that in the event he would be subject to excise tax for any amounts payable under the agreement, the amounts to be paid shall be reduced to such lesser extent that would result in no portion of such amounts being subject to excise taxes. The remaining named executive officers are entitled to a gross up payment in an amount to cover the full cost of any excise tax and their state and federal income and payroll taxes per the terms of their respective Assurance Agreements in the event any portion of their severance benefits, or other payments from the Company, would constitute an excess parachute payment for which excise tax is due.

**Compensation Process**

The Compensation Committee has overall responsibility for evaluating the compensation plans, policies and programs relating to our executive officers. Further, as required by the rules established by Treasury, guidance issued by the Federal Reserve and other financial institution regulatory agencies, and the SEC's guidance regarding risk associated with compensation arrangements (each as described more fully below), the Compensation Committee is also responsible for a more expansive risk review with respect to most of the compensation plans, policies and programs maintained for our employees.

During 2015, the Compensation Committee convened in February and October. Mr. Palmer served as Chairman of the Compensation Committee through his retirement from the board of directors in October 2015, at which time he was succeeded by Mr. Ladowicz. Mr. Palmer and Mr. Ladowicz also met as needed with internal staff members, to compile compensation information for this proxy statement. The Compensation Committee also met in February 2016 to approve salaries, incentive plans and performance metrics for 2016.

***Role of Compensation Consultant.*** The Compensation Committee's charter gives it the authority to delegate its responsibility to members or subcommittees of the Compensation Committee. Also, the charter gives the Compensation Committee the authority to hire outside consultants to further its objectives and responsibilities. In prior years, the Compensation Committee has retained ChaseCompGroup LLC to provide services in connection with a review and analysis of compensation paid to our named executive officers and board of directors. In keeping with the Compensation Committee's philosophy of comparing our compensation with that of the local marketplace on an annual basis, the Compensation Committee retained ChaseCompGroup LLC in 2015 to provide an updated analysis of our executive compensation program. The Compensation Committee expects to retain ChaseCompGroup LLC again in 2016. Additionally, the Compensation Committee has retained Willis Towers Watson in connection with matters related to equity compensation, including the amendment of our Incentive Plan discussed below.

***Role of Executive Officers.*** The Compensation Committee relies upon the input of management, when carrying out its responsibilities in establishing executive compensation. The Compensation Committee relies on Mr. Eccher's input in establishing compensation for our named executive officers other than himself. Management provides the Compensation Committee with evaluations as to employee performance, guidance on establishing performance targets and objectives and recommends salary levels and equity awards. The Compensation Committee also consults with management on matters that are relevant to executive compensation and benefit plans where board or stockholder action is expected, including the adoption of new plans or the amendment of existing plans. Finally, the Compensation Committee consults with our management, specifically the Bank's Senior Risk Officer, in completing the risk review with respect to employee compensation plans. A risk review was performed in February 2016. No executive officer participates in any recommendation, discussion or decision regarding his or her own compensation.

***Peer Group.*** Market pay practices are one of many factors we consider in setting executive pay levels and designing compensation programs. Information on pay levels and practices is gathered for a group of publicly traded companies selected based on their business focus, scope and location of operations, size and other considerations. The Company's peer group of 16 financial institutions was jointly presented by ChaseCompGroup LLC and management and approved by the Compensation Committee. The group is periodically reviewed, with changes made to reflect merger and acquisition activity, financial situation and development, and other considerations. The institutions included in the peer group include:

| | |
|---|---|
| First Midwest Bancorp, Inc. | First Merchants Corporation |
| 1st Source Corporation | Great Southern Bancorp, Inc. |
| First Busey Corporation | Lakeland Financial Corporation |
| Enterprise Financial Services Corp. | MainSource Financial Group, Inc. |
| First Financial Corporation | QCR Holdings, Inc. |
| German American Bancorp, Inc. | Horizon Bancorp |
| First Mid-Illinois Bancshares, Inc. | MutualFirst Financial, Inc. |
| Pulaski Financial Corp. | Hawthorn Bancshares, Inc. |

**Analysis of 2015 Compensation**

This section describes the decisions made by the Compensation Committee with respect to the compensation for the named executive officers for 2015 and 2016.

The following is a brief summary of the Compensation Committee's compensation decisions for 2015 and 2016:

- for 2015, conservative merit increases in base salary were granted to our named executive officers (other than Mr. Eccher) in keeping with the conservative compensation guidelines established for the organization;
- for 2015, Messrs. Cheatham, Gottschalk and Pilmer received a merit increase in base salary of 2.5%;
- $460,409 cash bonus payments were earned or awarded to our named executive officers with respect to 2015 performance; and
- benefits and perquisites remained substantially similar in 2015 compared to prior years and we expect that will continue through 2016.

***Base Salary.*** We annually review the base salaries of the named executive officers to determine whether or not they will be adjusted, as described above. The salaries for 2015, determined by the Compensation Committee at the beginning of 2015, are set forth in the Summary Compensation Table below. In determining these salary levels, we generally considered the following:

- the compensation philosophy and guiding principles described above;
- the general economic factors in the financial industry beyond our control and the financial performance of the Company compared to our peers;
- the experience and industry knowledge of our named executive officers and the quality and effectiveness of their leadership;
- all of the components of executive compensation, including base salary, bonus, stock options, retirement and death benefits, as well as benefits and perquisites; and
- internal pay equity among our executives.

In early 2016, the Compensation Committee determined the base salaries for the executive directors for 2016. The base salaries for 2015 and 2016 are as follows:

| Name | Position | 2015 | 2016 |
|---|---|---|---|
| James Eccher | President and Chief Executive Officer of Old Second | $400,000 | $441,000 |
| J. Douglas Cheatham | Executive Vice President and Chief Financial Officer of Old Second | $267,800 | $274,495 |
| Keith Gottschalk | Executive Vice President, Chief Operating Officer | $246,660 | $254,060 |
| Donald Pilmer | Executive Vice President, Commercial Lending | $234,125 | $239,978 |

In determining the base salaries for 2016, we considered the same general factors discussed above including the continuing general slowdown in the economy and growth of our earnings, return on average assets and overall assets.

***Annual Cash Bonus.*** Based on our named executive officers' achievement of the goals for earning a cash bonus established by the Compensation Committee, we awarded cash bonuses as set forth below:

| Named Executive Officer | Bonus Earned in 2015 |
|---|---|
| James Eccher | $223,560 |
| J. Douglas Cheatham | $ 97,018 |
| Keith Gottschalk | $ 80,176 |
| Donald Pilmer | $ 59,655 |

In 2015, pursuant to our Bonus Plan, Mr. Eccher was eligible for a maximum annual bonus equal to 62.5% of his salary, or $250,000. Mr. Cheatham was eligible for a maximum annual bonus equal to 43.75% of his salary, or $117,163, and Mr. Gottschalk was eligible for a maximum annual bonus equal to 47.5% of his salary, or $117,164, and Mr. Pilmer was eligible for a maximum annual bonus equal to 47.5% of his salary, or $111,209. These maximum annual bonus percentages reflect a maximum measure included in the bonus allocation factors.

The components designated by the Compensation Committee and the target percentage of salary that the named executive officers were eligible to earn for 2015 performance were as follows:

| Named Executive Officer | Company Income Growth | Bank Income Growth | Department Performance | Asset/Credit Quality | Efficiency Ratio | Total |
|---|---|---|---|---|---|---|
| James Eccher | 25% | | | 15% | 10% | 50% |
| J. Douglas Cheatham | 20% | | | | 15% | 35% |
| Keith Gottschalk | | 18% | 10% | | 10% | 38% |
| Donald Pilmer | | 15% | 15% | 5% | 3% | 38% |

The Company considered the following performance metrics in determination of the annual incentive bonus:

<u>Company Income Growth.</u> The Compensation Committee believes that our growth, as measured by reference to the net income of the Company and our bank subsidiary, is an appropriate measure

because it focuses on our financial performance, which in turn reflects stockholder value. Each named executive officer has a portion of his bonus tied to this metric. The Compensation Committee applied the following scale to determine how much of the target percentage any named executive officer would receive based on our net income:

| Company Net Income | Bank Subsidiary Net Income | Amount of Target Percentage |
|---|---|---|
| $8.6 million | $15.2 million | 50% |
| $10.6 million | $17.2 million | 75% |
| $12.6 million | $19.2 million | 100% |
| $14.6 million | $21.2 million | 125% |

Our 2015 net income was $13.5 million, and, therefore, Messrs. Eccher and Cheatham earned 111.0% of this component. Our 2015 net income at our bank subsidiary was $19.5 million, and, therefore, Messrs. Gottschalk and Pilmer earned 104.0% of this component

Department Performance. With respect to Messrs. Gottschalk and Pilmer, the Compensation Committee believes that using the performance of their respective departments is an appropriate incentive to promote the leadership and development of our various lines of business. For 2015, Mr. Gottschalk was evaluated on the performance of our Retail Department, including the growth of core checking accounts, consumer loans, small business accounts and retail fee income with specific goals as follows:

| | New Core Checking Accounts | Increase in Consumer Loans | New Small Business Accounts | Retail Fee Income Growth |
|---|---|---|---|---|
| Potential Incentive | 2% | 4% | 2% | 2% |
| Performance Goal | 6,800 | 5% | 1,100 | 6% |
| Actual Performance | 7,633 | Declined | 1,200 | 6.13% |
| Earned Incentive | 2% | | 2% | 2% |

The Compensation Committee determined that Mr. Gottschalk was entitled to 60.0% of the bonus amount attributable to this metric based on the overall performance of our Retail Department in 2015.

For 2015, Mr. Pilmer was evaluated on the performance of our Commercial Department, including total commercial loan growth, the income growth of our Commercial Department, treasury department income, merchant income, and commercial deposits with specific goals as follows:

| | Performance Levels | | | |
|---|---|---|---|---|
| **Metrics** | **50%** | **75%** | **100%** | **Actual** |
| Commercial Loan Growth | $ 929,899,000 | $ 942,461,000 | $ 961,193,000 | $ 895,140,000 |
| Income Growth (Commercial) | $ 40,616 | $ 41,010 | $ 41,799 | $ 42,634 |
| Income Growth (Treasury) | $ 2,434,000 | $ 2,446,000 | $ 2,458,000 | $ 2,146,000 |
| Merchant Income | $ 472,770 | $ 477,405 | $ 482,040 | $ 477,605 |
| Commercial Deposits | $ 467,498 | $ 472,127 | $ 476,756 | $ 487,785 |

| **Metrics** | **Potential Incentive** | **Earned Incentive** |
|---|---|---|
| Commercial Loan Growth | 3% | |
| Income Growth (Commercial) | 7% | 2% |
| Income Growth (Treasury) | 3% | |
| Merchant Income | 1% | 1% |
| Commercial Deposits | 1% | 1% |

The Compensation Committee determined that Mr. Pilmer was entitled to approximately 26.6% of the bonus amount attributable to this metric based on the overall performance of our Commercial Department in 2015.

Asset/Credit Quality. With respect to Messrs. Eccher and Pilmer, because classified assets were a difficult issue for the company to navigate the last several years, the Compensation Committee believes incentivizing them to focus on our asset/credit quality will further ensure that we are working toward sustainable growth and profitability. As such, the Compensation Committee determined that a bonus component for them would appropriately be tied to our classified asset ratio. If the ratio remained at 30% or lower, each of Messrs. Eccher and Pilmer would be entitled to 100% of their bonus with respect to this metric. If the ratio exceeded 30%, then no bonus would be earned with respect to our asset/credit quality. Our classified asset ratio was 20.31% at December 31, 2015, thus entitling Messrs. Eccher and Pilmer to 100% of the bonus associated with this component.

Efficiency Ratio. The Compensation Committee believes that expense control and efficiency of operations is a goal we must continually strive for in order to provide for the best financial return for our stockholders. Further, the Compensation Committee believes that our named executive officers are best situated to impact our efforts in this regard. As such, the Compensation Committee deemed a bonus component in 2015 tied to cost savings as measured by overall efficiency ratio was merited. If the Bank's overall efficiency ratio at the end of 2015 was less than or equal to 70%, the named executive officers would earn 100% of the bonus with respect to this component. The overall efficiency ratio at year end was 72.73% so the named executive officers earned 93% of that component.

***Long-Term Stock Incentives.*** The Compensation Committee typically acts to award equity grants at the beginning of each year, specifically in the months of January and February. In February 2015, the

Compensation Committee approved equity grants for our named executive officers comprised solely of restricted stock units subject to three-year cliff vesting, with accelerated vesting in certain circumstances as described in the Potential Payments upon Termination or Change in Control section of the CD&A.

In February 2016 the Compensation Committee approved equity grants for our named executive officers comprised of 53,000 shares of restricted stock units subject to three-year cliff vesting.

***Perquisites and Other Benefits.*** While the Compensation Committee reviews and monitors the level of other compensation offered to the named executive officers, the Compensation Committee typically does not adjust the level of benefits offered on an annual basis. The Compensation Committee does consider the benefits and perquisites offered to the named executive officers in its evaluation of the total compensation received by each. The perquisites received by the named executive officers in 2015 are reported in the Summary Compensation Table below. The benefits offered in 2015 to the named executive officers are expected to continue for 2016.

**Regulatory Considerations**

As a publicly-traded financial institution, we and the Bank must contend with several often overlapping layers of regulations when considering and implementing compensation-related decisions. These regulations do not set specific parameters within which compensation decisions must be made, but do require the Company and the Compensation Committee to be mindful of the risks that often go hand-in-hand with compensation programs designed to incentivize the achievement of better than average performance. While the regulatory focus on risk assessment has been heightened over the last several years, the incorporation of general concepts of risk assessment into compensation decisions is not a recent development.

The Compensation Committee continues to believe in and practice a sensible approach to balancing risk-taking and rewarding reasonable, but not necessarily easily attainable, goals and this has always been a component of its overall assessment of the compensation plans, programs and arrangements it has put in place for our named executive officers. The Compensation Committee believes we have adequate policies and procedures in place to balance and control any risk-taking that may be incentivized by the employee compensation plans. The Compensation Committee further believes that such policies and procedures will work to limit the risk that any employee would manipulate reporting earnings in an effort to enhance his or her compensation.

In making decisions about executive compensation, in addition to the above, we also consider the impact of other regulatory provisions, including: the provisions of Code Section 162(m) that may limit the tax deductibility of certain compensation unless it is considered performance-based; Code Section 409A regarding nonqualified deferred compensation; and Code Section 280G regarding excise taxes and deduction limitations on golden parachute payments made in connection with a change in control. In making decisions about executive compensation, we also consider how various elements of compensation will impact our financial results. For example, we consider the impact of FASB ASC Topic 718, which requires us to recognize the compensation cost of grants of equity awards based upon the grant date fair value of those awards.

**Compensation-Related Governance Policies**

*Insider Trading Policy*

The Company has an insider trading policy that prohibits open market transactions in Company stock during the period beginning five business days prior to the end of the fiscal quarter and terminating two full business days after the public announcement of the Company's current financial results for the most recently ended fiscal quarter or year.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the foregoing CD&A with management. Based on the Compensation Committee's review and discussion with management, the Compensation Committee has recommended to our board of directors that the CD&A be included in this proxy statement and in Old Second's Annual Report on Form 10-K for the year ended December 31, 2015.

Submitted by:

Mr. John Ladowicz, Chairman
Mr. Edward Bonifas
Mr. William Kane
Members of the Compensation Committee

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth information concerning the compensation of our Chief Executive Officer, Chief Financial Officer and our other two executive officers:

| Name and principal position (a) | Year (b) | Salary (c) | Bonus (d) | Stock awards(1) (e) | All other compensation(2) (i) | Total ($) (j) |
|---|---|---|---|---|---|---|
| James Eccher | 2015 | $ 400,000 | $ 223,560 | $ 134,500 | $ 29,010 | $ 787,070 |
| President and Chief | 2014 | 362,500 | 145,000 | 192,800 | 28,688 | 728,988 |
| Executive Officer | 2013(3) | 325,000 | 118,170 | 82,000 | 28,105 | 553,275 |
| J. Douglas Cheatham | 2015 | $ 267,800 | $ 97,018 | $ 48,420 | $ 18,210 | $ 431,448 |
| Executive Vice President and | 2014 | 260,000 | 65,000 | 84,350 | 17,861 | 427,211 |
| Chief Financial Officer | 2013(3) | 252,000 | 61,085 | 65,600 | 17,220 | 395,905 |
| Keith Gottschalk(4) | 2015 | $ 246,660 | $ 80,176 | $ 37,660 | $ 12,517 | $ 377,013 |
| Executive Vice President, Chief Operating Officer | | | | | | |
| Donald Pilmer(4) | 2015 | $ 234,125 | $ 59,655 | $ 37,660 | $ 17,497 | $ 348,937 |
| Executive Vice President, Commercial Lending | | | | | | |

(1) The amounts represent the grant date fair value for equity awards in accordance with ASC 718 "Compensation Stock Compensation." A discussion of the assumptions used in calculating the values may be found in Note 12 to our audited financial statements included in our annual report to stockholders.

(2) The 2015 amounts set forth in column (i) include the following:

| | Mr. Eccher | Mr. Cheatham | Mr. Gottschalk | Mr. Pilmer |
|---|---|---|---|---|
| 401(k) match | $ 5,300 | $ 5,300 | $ 4,707 | $ 4,652 |
| Life insurance | 660 | 660 | 660 | 595 |
| Automobile allowance | 10,800 | | | |
| Country club dues | 12,250 | 12,250 | 7,150 | 12,250 |
| **Total** | $ 29,010 | $ 18,210 | $ 12,517 | $ 17,497 |

(3) Th