

OLD SECOND BANCORP INC
Form DEF 14A
March 22, 2005

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

Filed by a Party other than the Registrant

Check the appropriate box:

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

Old Second Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

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

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March 15, 2005

Dear Stockholder:

You are cordially invited to attend the 2005 annual meeting of stockholders of Old Second Bancorp, Inc. to be held on Tuesday, April 19, 2005 at 11:00 a.m., local time. The meeting will be held at our offices located at 37 South River Street, Aurora, Illinois.

The formal items of business to be considered at the meeting include the election of five directors with staggered terms and the ratification of our selection of our independent accountants, each of which are described in the following pages. In addition, we will report on our performance in 2004 and address questions or comments from stockholders.

We encourage you to attend the meeting in person. **Whether or not you plan to attend, however, please read the enclosed proxy statement and then complete, sign and date the enclosed proxy and return it in the accompanying postpaid return envelope as promptly as possible.** This will save us additional expense in soliciting proxies and will ensure that your shares are represented at the meeting.

A copy of our annual report to stockholders for the year 2004 is also enclosed. Thank you for your continued support and we look forward to seeing you at the meeting.

Sincerely,

William B. Skoglund
Chairman and Chief Executive Officer

OLD SECOND BANCORP, INC.

37 South River Street, Aurora, Illinois 60506

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD APRIL 19, 2005

TO THE STOCKHOLDERS:

The annual meeting of stockholders of Old Second Bancorp, Inc., will be held on Tuesday, April 19, 2005 at 11:00 a.m. at our corporate headquarters located at 37 South River Street, Aurora, Illinois, for the following purposes:

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

2. to ratify the selection of Ernst & Young LLP as our independent accountants for the year ended December 31, 2005; and

3. 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 4, 2005, 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

William B. Skoglund
Chairman and Chief Executive Officer

Aurora, Illinois

March 15, 2005

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, IL 60507 (630) 892-0202

PROXY STATEMENT

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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 our corporate headquarters located at 37 South River Street, Aurora, Illinois on April 19, 2005 at 11:00 a.m., local time, or at any postponements or adjournments of the meeting. Old Second conducts full service community banking and trust business through its wholly-owned subsidiaries: The Old Second National Bank of Aurora, Old Second Mortgage, Old Second Bank - Yorkville, Old Second Bank - Kane County and Old Second Financial, Inc.

A copy of our annual report for the year ended December 31, 2004, which includes audited financial statements, is enclosed. This proxy statement was first mailed to stockholders on or about March 15, 2005.

Why am I receiving this proxy statement and proxy form?

You are receiving a proxy statement and proxy form from us because on March 4, 2005, 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 the election of five directors of Old Second, the ratification of the selection of Ernst & Young LLP to serve as our independent auditors for 2005 and 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.

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 the election of directors and the ratification of independent auditors, but may not vote on non-routine matters, such as an amendment to the certificate of incorporation or 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 non-routine 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.

While the matters to be voted upon at the 2005 annual meeting should be within the brokers' discretion to vote, whether or not you give your broker direction, 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 meeting. 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.

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 4, 2005, the record date, there were 13,448,924 shares 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 five 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?

You may vote for or withhold authority to vote for each nominee for director. You may vote for, against or abstain for the ratification of the selection of our accountants and on any other proposal that may properly be brought before the meeting.

How many votes are needed for each proposal?

The five individuals receiving the highest number of votes cast for their election will be elected as directors of Old Second. Additionally, the ratification of the selection of Ernst & Young LLP as our independent auditors must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote. An abstention will have the same effect as a vote against the ratification of the selection of our accountants.

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 on the matter. So long as a quorum is present, broker non-votes will have no effect on the outcome of the election of directors.

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?

We will announce voting results at the meeting. The voting results will also be disclosed in our Form 10-Q for the quarter ending June 30, 2005.

ELECTION OF DIRECTORS

Old Second's board of directors is divided into three classes, approximately equal in number. Ordinarily, each year we ask Old Second's stockholders to elect the members of one class for a term of three years. At the annual meeting to be held on April 19, 2005, you will be entitled to elect five directors for terms expiring in three years, as described herein. 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 five persons for election 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 a director and business experience during the previous five years. The five nominees for director, if elected at the annual meeting, will serve for terms expiring in 2008.

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.

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

NOMINEES

Name	Served as Old Second Director Since	Principal Occupation
(Term Expires 2008)		
Marvin Fagel (Age 57)	1996	President, Aurora Packing Co., a meat packing company, Chairman of the Board and Chief Executive Officer, New City Packing Company, a meat packing company
Barry Finn (Age 45)	2004(1)	President and Chief Executive Officer, Rush-Copley Medical Center (2002-present), Chief Operating Officer and Chief Financial Officer, Rush-Copley Medical Center (1996-2002)
William Kane (Age 54)	1999	Partner, Label Printers Inc., a printing company
Kenneth Lindgren (Age 64)	1990	President, Daco Incorporated, a contract manufacturer of machine components
Jesse Maberry (Age 61)	1985	Vice President, semi-retired, Aurora Bearing Company, a manufacturer of rod end spherical bearings

CONTINUING DIRECTORS

(Term Expires 2007)

Edward Bonifas (Age 45)	2000	Vice President, Alarm Detection Systems Inc., producer and installer of alarm systems, close-captioned video systems and car access systems
William Meyer (Age 57)	1995	President, William F. Meyer Co., a wholesale plumbing supply company
William B. Skoglund (Age 54)	1992	Chairman and Chief Executive Officer of Old Second and Chairman of Old Second National Bank
Christine J. Sobek (Age 51)	2003	President, Waubensee Community College

(Term Expires 2006)

J. Douglas Cheatham (Age 48)	2003	Sr. Vice President, Chief Financial Officer and Chief Accounting Officer, Assistant Secretary of Old Second
D. Chet McKee (Age 65)	1978	Vice President-Special Projects, Rush-Copley Medical Center (2000-present), President and Chief Executive Officer, Rush-Copley Medical Center (1990-2000)
Gerald Palmer (Age 59)	1998	Vice President/General Manager, Caterpillar Inc, a construction equipment manufacturer
James Carl Schmitz (Age 56)	1999	Tax consultant (1999-present), director of taxes with H.B. Fuller Company (1998), tax specialist with KPMG LLP (1999)

(1) Mr. Finn was appointed to the board in July, 2004. The full board of directors approved this appointment after the approval and recommendation by the Nominating and Corporate Governance Committee.

Upon attaining age 70, an elected director assumes the status of a senior director for a period of three years. Senior directors have the right to attend all board meetings and all meetings of the committees to which they are appointed and to participate in all discussions during such meetings. However, a senior director does not have the right to vote on any matter. There were no senior directors on the board of directors during 2004. Mr. Walter Alexander, who has served on the board since 1976, became a senior director in January, 2005.

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. 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. Mr. Alexander, who is a senior director, is also a director of Wausau-Mosinee Paper Corporation, a corporation with a class of securities registered pursuant to Section 12 of the Exchange Act.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

General

The board of directors is made up of thirteen directors, who are elected every three years to serve staggered terms. Generally, the board oversees our business and monitors the performance of our management. 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 are independent as defined by the Nasdaq Stock Market, Inc., with the exception of Messrs. Skoglund and Cheatham, who are executive officers.

The board of directors held twelve regular meetings during 2004. All of the directors attended at least 75% of these meetings and of 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 individuals then serving as directors attended our annual meeting.

The board of directors believes that it is important to encourage the highest level of corporate ethics and responsibility and is proud that it adopted many of the corporate governance requirements of Nasdaq and the Securities and Exchange Commission prior to the required compliance dates. Among other things, the board has adopted a Code of Conduct, 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 Conduct, 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.o2bancorp.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. 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 members of our Audit Committee during 2004 were Messrs. Alexander, Maberry, Kane, McKee, Schmitz, and Ms. Sobek, each of whom are independent directors, as that term is defined by Nasdaq. Mr. Finn has also served on the committee since his appointment to the full board in July, 2004. 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 the independent accountants and the committee exercises its authority to do so in accordance with a policy that it has adopted. A copy of this policy was attached as an exhibit in last year's proxy statement. Additionally, beginning in 2004, the Audit Committee reviewed and approved all related party transactions between Old Second and its related parties pursuant to Nasdaq's rules and regulations.

Mr. Alexander was the chairman of the committee in 2004. In 2004, the board designated Mr. Maberry, who is Vice President of Aurora Bearing Company, and who previously served as Controller of Aurora Bearing Company, as the Audit Committee Financial Expert as such term is defined by the regulations of the Securities and Exchange Commission. The board's determination was based