

1ST SOURCE CORP  
Form DEF 14A  
March 15, 2016

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

Filed by the registrant ☒ x

Filed by a Party other than the Registrant ☐ o

Check the appropriate box:

- ☐ o Preliminary Proxy Statement
- ☐ o Confidential, for use of the Commission Staff Only (as permitted by Rule 14a-6(e) (2))
- ☒ x Definitive Proxy Statement
- ☐ o Definitive Additional Materials
- ☐ o Soliciting Material under Sec.240.14a-12

1st Source Corporation  
(Name of Registrant as Specified in its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- ☒ x 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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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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- ☐ o Fee paid previously with preliminary materials.

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- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of filing.

(1) Amount Previously paid:

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

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(3) Filing Party:

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(4) Date Filed:

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Notice of Annual Meeting of Shareholders and Proxy Statement

To the Shareholders of 1st Source Corporation:

The Annual Meeting of Shareholders of 1st Source Corporation will be held at the 1st Source Center, 4th Floor Boardroom, 100 North Michigan Street, South Bend, Indiana 46601, on April 21, 2016, at 10:00 a.m. local time, for the purpose of considering and voting upon the following matters:

1. Election of Directors. Election of three directors for terms expiring in 2019.
  2. Approval of Amended 1982 Executive Incentive Plan. Approval of the material terms of the Plan in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended.  
Approval of Amended Strategic Deployment Incentive Plan (formerly the 1998 Performance Compensation Plan).
  3. Approval of the material terms of the Plan in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended.
  4. Ratification of the appointment of BKD LLP as 1st Source Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2016.
  5. Other Business. Such other matters as may properly come before the meeting or any adjournment thereof.
- Shareholders of record at the close of business on February 17, 2016 are entitled to vote at the meeting.

By Order of the Board of Directors,

John B. Griffith

Secretary

South Bend, Indiana

March 15, 2016

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Please date and sign the proxy and return it promptly. If you do attend the meeting, you may, nevertheless, vote in person and revoke a previously submitted proxy.

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**1st SOURCE CORPORATION**

P.O. Box 1602 South Bend, Indiana 46634

**PROXY STATEMENT**

This Proxy Statement is furnished in connection with the 2016 Annual Meeting of Shareholders of 1st Source Corporation (“1st Source” or “the Company”).

When and where is the Annual Meeting? April 21, 2016, at 10:00 a.m. local time, at the 1st Source Center, 100 North Michigan Street, 4th Floor Boardroom, South Bend, Indiana 46601.

Who may vote at the meeting? Shareholders of record at the close of business on February 17, 2016, will be eligible to vote at the Annual Meeting.

How many shares are outstanding? There were 26,908,059 shares of our common stock outstanding on the record date. The voting securities of 1st Source consist only of Common Stock. Each shareholder is entitled to one vote for each share. Cumulative voting is not authorized.

What is the required vote? A majority of the shares voted at the annual meeting is required for approval of matters to be considered at the Annual Meeting other than ratification of auditors. The ratification of appointment of auditors will be approved if the votes cast in favor of ratification exceed those cast against. The Company knows of no other proposals expected to be presented at the meeting other than the four proposals described above. Additional proposals, if any, would be approved if votes in favor of such proposal exceed those cast against.

How are abstentions and “non-votes” counted? Abstentions on properly executed proxy cards and shares not voted by brokers and other entities holding shares on behalf of beneficial owners (“broker non-votes”) will be counted for determining a quorum at the meeting. However, abstentions and broker non-votes will not affect the voting results on those matters for which the shareholder has abstained or the broker has not voted.

Who is soliciting proxies? This solicitation is being made by the Board of Directors of 1st Source. The cost of solicitation of proxies will be borne by 1st Source.

How will proxies be solicited? In addition to the use of mails, proxies may be solicited through personal interview, electronic media, telephone, and facsimile by directors, officers and regular employees of 1st Source without additional remuneration therefor.

How may I revoke my proxy? Shareholders may revoke their proxies at any time prior to the meeting by giving written notice to John B. Griffith, Secretary, 1st Source Corporation, Post Office Box 1602, South Bend, Indiana 46634, or by voting in person at the meeting.

When were these materials provided? The approximate date for making available this Proxy Statement and the form of proxy to shareholders is March 15, 2016.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Beneficial owners of more than 5% of the Common Stock outstanding at February 17, 2016:

Name and Address	Voting Authority			Investment Authority			Total Beneficial Ownership		
	Sole	Shared	None	Sole	Shared	None	Amount	% of Class	
1st Source Bank (1)(2) 100 North Michigan Street South Bend, IN 46601	529,299	5,564,810	4,636,717	529,299	5,564,810	4,636,717	6,094,109	22.65	%
Christopher J. Murphy III (2)(3) Carmen Murphy (2)(4)	1,642,421	114,904	—	1,642,421	114,904	—	4,946,705	18.38	%
100 North Michigan Street South Bend, IN 46601	719,517	114,904	—	719,517	2,584,767		4,946,705	18.38	%

O.C. Carmichael III (2)(5) 3212 W End Avenue Suite 500 Nashville, TN 37203	63,372	—	—	63,372	1,448,118	—	1,511,490	5.62	%
Stanley C. Carmichael (2)(6) 1510 71st St. Fennville, MI 49408	9,125	—	—	9,125	755,003	—	764,128	2.84	%
Ernestine C. Nickle (2)(6) 560 Sea Oak Drive Vero Beach, FL 32963	212,881	—	—	212,881	891,826	—	1,104,707	4.11	%
Dimensional Fund Advisors LP (7) Palisades West, Building One, 6300 Bee Cave Road Austin, TX 78746	2,165,541	—	—	2,228,314	—	—	2,228,314	8.28	%

(1) 1st Source Bank (“1st Source Bank” or “the Bank”), 1st Source’s subsidiary bank, owns no securities for its own account. These shares are registered in 1st Source Bank’s name or its nominee as fiduciary or agent. The amounts shown as “Shared” in the above table include 5,564,810 shares held in trusts (referred to herein as the “Morris Trusts”) for the benefit of Ernestine M. Raclin, her children, her grandchildren, her great-grand children and their spouses, of which 1st Source Bank is the trustee, as further described in Note 2 below. Ms. Raclin is the retired Chairman of the Board of 1st Source, the mother of Carmen C. Murphy and the mother-in-law of Christopher J. Murphy III, Ms. Murphy’s husband.

The amounts shown as “None” in the above table include 2,297,034 shares held by 1st Source Bank as trustee in various trusts or held by 1st Source Bank as agent for shares held by other entities which are included in the totals of Mr. Murphy and Ms. Murphy as described further in Notes 3 and 4 below. 1st Source Bank has no voting or dispositive power over such shares and accordingly disclaims beneficial ownership. These amounts also include 1,379,869 shares held by participants in the 1st Source Corporation Employee Stock Ownership and Profit Sharing Trust for which the Bank has no voting or investment authority except to the extent imputed by ERISA. These amounts also include 959,814 shares held by 1st Source Bank as trustee in various trusts or held by 1st Source Bank as agent for shares held by other entities. 1st Source Bank has no voting or dispositive power over such shares and accordingly disclaims beneficial ownership.

(2) 1st Source Bank is the trustee of all the Morris Trusts (described in Note 1) with voting power and shared power of disposition over shares in the trusts. Ms. Carmen Murphy, Mr. O.C. Carmichael III, Ms. Ernestine C. Nickle and Mr. Stanley Clark Carmichael (each a “family designated representative”) serve as representatives to certain trusts for the benefit of their respective family lines. The shares in each group of respective trusts over which each family designated representative shares dispositive power are as follows:

Ms. Murphy	2,469,863
Mr. O.C. Carmichael III	1,448,118
Ms. Nickle	891,826
Mr. S.C. Carmichael	755,003
Total	5,564,810

The terms of the respective trusts allow the respective family designated representative, as applicable, to direct the trustee to (or appoint a special trustee to) diversify the 1st Source Corporation common stock holdings in the Morris Trusts. The family designated representatives may also (i) direct the trustee to engage an independent proxy service to provide voting recommendations to the trustee, in which case the trustee has agreed to vote the 1st Source Corporation common stock held by the applicable trusts in accordance with the recommendations of such independent proxy service, unless to do so would be contrary to applicable Securities and Exchange Commission (“SEC”) legal and regulatory guidelines and requirements or violate the trustee’s fiduciary obligations, or, (ii) appoint a special trustee, which special trustee would have the power to vote the 1st Source Corporation common stock held by the applicable Morris Trusts. The inclusion of the shares held in the Morris Trusts does not constitute an admission of beneficial ownership by the designated family line representatives for purposes of Section 13(d) or Section 13(g) of the Exchange Act, or for any other purpose.

(3) Mr. Murphy has sole voting and dispositive power over (i) 521,241 shares held in a revocable trust; (ii) 6,352 shares held by Mr. Murphy in an IRA; (iii) 125,893 shares held in a corporation for which Mr. Murphy serves as president; (iv) 51,279 shares held by Mr. Murphy in the Company’s 401(k) Plan; (v) 2,636 shares of performance-based restricted stock that were earned by Mr. Murphy and vested on February 25, 2016 based on the Company’s performance for 2015; and (vi) 935,020 shares held in three limited partnerships for which Mr. Murphy serves as the general partner. Mr. Murphy’s and Carmen C. Murphy also share voting and dispositive power over 114,904 shares held in a family foundation. In addition to the shares set forth in the above table, 719,517 shares for which Ms. Murphy has sole voting and dispositive power and 2,469,863 shares held in the Morris Trusts as to which Ms. Murphy shares dispositive power as described above may be attributed to Mr. Murphy as her spouse. Mr. Murphy disclaims beneficial ownership of such shares, and the inclusion of such shares does not constitute an admission of beneficial ownership by Mr. Murphy for purposes of Section 13(d) or Section 13(g) of the Exchange Act, or for any

other purpose.

(4)Ms. Murphy has sole voting and dispositive power over (i) 134,917 shares held in a revocable trust; and (ii) 584,600 shares held in a limited liability company for which Ms. Murphy serves as the president and voting member. Ms. Murphy also shares dispositive power over 2,469,863 shares held in the Morris Trusts and Christopher J. Murphy III and Ms. Murphy share voting and dispositive power over 114,904 shares held in a family foundation. In addition to the shares set forth in the above table, 1,642,421 shares for which Mr. Murphy has sole voting and dispositive power may be attributed to Ms. Murphy as his spouse. Ms. Murphy disclaims beneficial ownership of such shares, and the inclusion of such shares does not constitute an admission of beneficial ownership by Ms. Murphy for purposes of Section 13(d) or Section 13(g) of the Exchange Act, or for any other purpose.

(5)As reported in Form 13G filed February 29, 2016.

(6)Information for Ernestine C. Nickle, Andrew Nickle, and Stanley C. Carmichael is as reported in their group Form 13G filed January 27, 2016. Shares reported as owned by Ms. Nickle include 6,575 shares held directly by Andrew Nickle, Ms. Nickle's spouse.

(7)As reported in Form 13G filed February 9, 2016, Dimensional Fund Advisors LP, in its role as investment advisor for various clients, had sole dispositive and/or voting power of the shares.

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

The Board of Directors knows of no matters to come before the Annual Meeting other than the matters referred to in this Proxy Statement. However, if any other matters should properly come before the meeting, the persons named in the enclosed proxy intend to vote in accordance with their best judgment. No director, nominee for election as director, or executive officer of 1st Source has any special interest in any matter to be voted upon other than election to the Board of Directors, except that our executive officers named herein may be deemed to have a substantial interest in the approval by shareholders of the amended 1982 Executive Incentive Plan and the Strategic Deployment Incentive Plan by virtue of having received or being eligible to receive awards under such plans. Directors have indicated that they intend to vote for all directors as listed in Proposal Number 1 and for Proposals 2, 3 and 4.

**PROPOSAL NUMBER 1: ELECTION OF DIRECTORS**

The Board of Directors is divided into three (3) groups of directors whose terms expire at different times. At the 2016 Annual Meeting, three directors are to be elected for terms expiring in 2019 or until the qualification and election of a successor. Director nominees will be elected upon receiving a majority of the votes cast in the election of directors. Shares not voted by brokers are not considered “votes cast”.

The following information is submitted for each nominee as well as each director and each non-director executive officer continuing in office.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE “FOR” THE ELECTION OF EACH NOMINEE.**

All directors have demonstrated the ability and willingness to participate in and contribute to the Board and its committee activities. Each is actively involved in civic, community and business affairs. Such involvement is noted below with a representative sample of the boards or organizations with which they are involved.

DIRECTOR NOMINEES			Beneficial Ownership of Equity Securities <sup>(2)</sup>		
Name	Age	Principal Occupation <sup>(1)</sup>	Year in Which Directorship Assumed	Common Stock	% of Class

Terms Expiring in April, 2016 (April, 2019 if reelected)

Daniel B. Fitzpatrick	58	Chairman and Chief Executive Officer, Quality Dining, Inc. (quick service and casual dining restaurant operator)	1995	37,139	«
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34 years of business experience as the founder, Chairman and Chief Executive Officer of Quality Dining, Inc. As head of a locally headquartered, multi-concept restaurant company with operations located in seven states, Mr. Fitzpatrick contributes long-term perspective, current knowledge, and extensive contacts in communities in which the Company does business.

Expertise in the restaurant industry and general knowledge of food services retailing.

Qualifies as an audit committee financial expert under SEC guidelines.

Serves as Past Chairman of the Holy Cross College Board of Trustees and board member for Women’s Care Center Foundation. Mr. Fitzpatrick has served with nearly two dozen other community organizations.



B.A. in Business Administration from the University of Toledo.

Najeeb A. Khan	62	Chairman and Chief Executive Officer, Interlogic Outsourcing, Inc. and affiliated companies (payroll processing, tax filing and human resources administration services)	2011	9,103	«
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33 years of business experience as the founder, Chairman and Chief Executive Officer of Interlogic Outsourcing, Inc., as former Chairman and Chief Executive Officer of CNA Unisource, Inc. and as former Vice President of Commercial Services for Midwest Commerce Data Corporation, a wholly owned subsidiary of NBD Midwest Commerce Bank. As head of a locally owned business currently operating in 48 states, Mr. Khan contributes current knowledge and extensive contacts in several communities where many manufacturing and retail customers are located.

Expertise in technology, payroll, human resources, outsourcing services and entrepreneurial activities.

Qualifies as an audit committee financial expert under SEC guidelines.

Formerly served as a member of the Investment Committee of the Community Foundation of St. Joseph County and member of the Finance Committees for WNIT Public Television and Holy Cross College.

B.S. in Mathematics/Computer Science from Grand Valley State University.

Name	Age	Principal Occupation <sup>(1)</sup>	Year in Which Directorship Assumed	Beneficial Ownership of Equity Securities <sup>(2)</sup>	Common Stock	% of Class
Christopher J. Murphy IV <sup>(3)</sup>						