

OLD NATIONAL BANCORP /IN/  
Form DEF 14A  
March 14, 2012  
Table of Contents

**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 NATIONAL BANCORP**

(Name of Registrant as Specified In Its Charter)

Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

Fee paid previously with preliminary materials.

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 its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

SEC 1913 (02-02) **Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

Table of Contents

**OLD NATIONAL BANCORP**

**Notice of**

**Annual Meeting and**

**Proxy Statement**

*Annual Meeting of Shareholders*

*May 10, 2012*

**Table of Contents**

**Old National Bancorp**

**One Main Street**

**Evansville, Indiana 47708**

**Notice of Annual Meeting of Shareholders**

To Our Shareholders:

The 2012 Annual Meeting of Shareholders of Old National Bancorp (the Company) will be held in the Schlottman Auditorium at the Old National Bank headquarters located on 4<sup>th</sup> floor at One Main Street, Evansville, Indiana, on Thursday, May 10, 2012, at 9:00 a.m. Central Daylight Time for the following purposes:

- (1) Election of the Company's Board of Directors consisting of eleven Directors to serve for one year and until the election and qualification of their successors.
- (2) Approval of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan.
- (3) Approval of a non-binding advisory proposal on Executive Compensation.
- (4) Ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2012.
- (5) Transaction of such other matters as may properly come before the meeting or any adjournments and postponements thereof. Common shareholders of record at the close of business on March 2, 2012 are entitled to notice of, and to vote at, the Annual Meeting.

By Order of the Board of Directors

Jeffrey L. Knight

Executive Vice President,

Chief Legal Counsel and

Corporate Secretary

March 14, 2012

**IMPORTANT**

**Please submit your proxy promptly by mail or by Internet. In order that there may be proper representation at the meeting, you are urged to complete, sign, date and return the proxy card in the envelope provided to you or vote by Internet, whether or not you plan to attend the meeting. No postage is required if mailed in the United States.**

**Table of Contents**

**TABLE OF CONTENTS**

|  |     |
|--|-----|
| <u>TABLE OF CONTENTS</u>   | i   |
| <u>GENERAL INFORMATION ABOUT THE ANNUAL MEETING OF SHAREHOLDERS AND VOTING CORPORATE GOVERNANCE AND NOMINATING COMMITTEE AND OTHER BOARD MATTERS</u> | 1   |
| <u>Board Leadership Structure and Function</u>   | 5   |
| <u>Corporate Governance and Nominating Committee Scope of Responsibilities</u>   | 5   |
| <u>CEO Succession Planning</u>   | 6   |
| <u>Attendance at Annual Meetings</u>   | 6   |
| <u>Code of Conduct and Code of Ethics</u>  | 6   |
| <u>Corporate Governance Guidelines</u>   | 7   |
| <u>Communications from Shareholders to Directors</u>   | 7   |
| <u>Policy Regarding Consideration of Director Candidates Recommended by Shareholders</u>   | 7   |
| <u>Determination with Respect to the Independence of Directors</u>   | 8   |
| <u>Determination with Respect to Director Qualifications</u>   | 8   |
| <u>Director Compensation</u>   | 9   |
| <u>Committees of Our Board</u>   | 9   |
| <u>Availability of Corporate Governance Documents</u>  | 11  |
| <u>Risk Oversight</u>  | 11  |
| <u>DIRECTOR COMPENSATION</u>   | 12  |
| <u>ITEM NO. 1 ELECTION OF DIRECTORS</u>  | 14  |
| <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS</u>   | 21  |
| <u>EXECUTIVE OFFICERS OF THE COMPANY</u>   | 23  |
| <u>ITEM NO. 2 APPROVAL OF AMENDED AND RESTATED 2008 INCENTIVE COMPENSATION PLAN</u>  | 24  |
| <u>COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE MATTERS</u>   | 31  |
| <u>EXECUTIVE COMPENSATION</u>  | 33  |
| <u>Compensation Discussion and Analysis</u>  | 33  |
| <u>Executive Summary</u>   | 33  |
| <u>2011 Summary Compensation Table</u>   | 50  |
| <u>Grants of Plan-Based Awards During 2011</u>   | 52  |
| <u>Outstanding Equity Awards at December 31, 2011</u>  | 53  |
| <u>Option Exercises and Stock Vested</u>   | 55  |
| <u>Pension Benefits in 2011</u>  | 55  |
| <u>2011 Nonqualified Deferred Compensation</u>   | 56  |
| <u>Potential Payments on Termination or Change in Control</u>  | 56  |
| <u>ITEM NO. 3 APPROVAL OF A NON-BINDING ADVISORY PROPOSAL ON EXECUTIVE COMPENSATION</u>  | 64  |
| <u>ITEM NO. 4 RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>   | 65  |
| <u>INDEPENDENT ACCOUNTANTS FEES</u>  | 66  |
| <u>REPORT OF THE AUDIT COMMITTEE</u>   | 67  |
| <u>TRANSACTIONS WITH MANAGEMENT AND OTHERS</u>   | 70  |
| <u>SHAREHOLDER PROPOSALS AND DIRECTOR NOMINATIONS FOR THE 2013 ANNUAL MEETING</u>  | 71  |
| <u>ANNUAL REPORT</u>   | 71  |
| <u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>   | 72  |
| <u>OTHER MATTERS</u>   | 72  |
| <u>APPENDIX I AMENDED AND RESTATED 2008 INCENTIVE COMPENSATION PLAN</u>  | I-1 |

**Table of Contents**

**Old National Bancorp**

**One Main Street**

**Evansville, Indiana 47708**

**Proxy Statement**

For the Annual Meeting of Shareholders to be held on  
May 10, 2012, at 9:00 a.m. Central Daylight Time at the

Old National Bank Headquarters

Schlottman Auditorium 4<sup>th</sup> Floor

One Main Street, Evansville, IN 47708

**Important Notice Regarding the Availability of Proxy Materials**

**for the Shareholders Meeting to be held on May 10, 2012**

The Proxy Statement and 2011 Annual Report to Shareholders are available at:

**[www.oldnational.com/proxy](http://www.oldnational.com/proxy)**

**General Information about the Annual Meeting of Shareholders and Voting**

This Proxy Statement relates to the Annual Meeting of Shareholders ( Annual Meeting ) of Old National Bancorp (the Company or Old National ) to be held on May 10, 2012, at 9:00 a.m. Central Daylight Time. These proxy materials are being furnished by the Company in connection with a solicitation of proxies by the Company s Board of Directors (the Board ).

We are pleased this year to take advantage of the Securities and Exchange Commission ( SEC ) rule that permits companies to furnish proxy materials to shareholders over the Internet. On or about March 27, 2012, we will begin mailing Notice of Internet Availability of Proxy Materials ( Notice ). The Notice contains instructions on how to vote online, or in the alternative, request a paper copy of the proxy materials and a proxy card. By furnishing the Notice and providing access to our proxy materials by the Internet, we are lowering the costs and reducing the environmental impact of our Annual Meeting.

**Who can attend the Annual Meeting?**

Only shareholders of the Company of record as of March 2, 2012 (the Record Date ), their authorized representatives and guests of the Company may attend the Annual Meeting. Admission will be by ticket only.

**Who may vote at the Annual Meeting?**

These proxy materials are provided to holders of the Company s common stock who were holders of record on the Record Date. Only the Company s common shareholders of record on the Record Date are entitled to vote at the Annual Meeting. On the Record Date 94,461,318 shares of the Company s common stock were outstanding.

As of the Record Date, to the knowledge of the Company, no person or firm, other than BlackRock, Inc. and The Vanguard Group, Inc., beneficially owned more than 5% of the common stock of the Company outstanding on that date. As of March 2, 2012, no individual Director,

nominee or officer beneficially owned more than 5% of the common stock of the Company outstanding.

**Voting and Proxy Procedures**

Each share of the Company's common stock outstanding on the Record Date will be entitled to one vote at the Annual Meeting. If you receive the Notice by mail, you will not receive a printed copy of the proxy materials unless you request the materials by following the instructions included in the Notice.



## **Table of Contents**

If your shares are registered in your name, you may vote your shares by Internet, or by completing, signing, dating and returning the requested proxy card in the postage-paid envelope provided. Simply follow the easy instructions on the proxy card or Notice provided. You may also vote in person at the meeting. Execution of the proxy card or voting via Internet will not affect your right to attend the Annual Meeting. If your shares are held in street name through a broker, bank or other nominee, please follow the instructions provided by your nominee on the voting instruction form or Notice in order to vote your shares by Internet, or by signing, dating and returning the voting instruction form in the enclosed postage-paid envelope. If you desire to vote in person at the Annual Meeting, you must provide a legal proxy from your bank, broker or other nominee.

Shares of the Company's common stock for which instructions are received will be voted in accordance with the shareholder's instructions. If you send in your proxy card or use Internet voting, but do not specify how you want to vote your shares, the proxy holders will vote them FOR each of the items being proposed by the Board and in the discretion of the proxy holders as to any other business that may properly come before the Annual Meeting and any adjournment or postponement thereof.

### **Can I change my vote after I return the proxy card or after voting electronically?**

If you are a shareholder whose shares are registered in your name, you may revoke your proxy at any time before it is voted by one of the following methods:

Submitting another proper proxy with a more recent date than that of the proxy first given by:

- (1) following the Internet voting instructions, or
- (2) completing, signing, dating and returning a proxy card to the Company's Corporate Secretary.

Sending written notice of revocation to the Company's Corporate Secretary.

Attending the Annual Meeting and voting by ballot (although attendance at the Annual Meeting will not, in and of itself, revoke a proxy).

If you hold your shares in street name through a broker, you may revoke your proxy by following instructions provided by your broker. No notice of revocation or later-dated proxy will be effective until received by the Company's Corporate Secretary at or prior to the Annual Meeting.

### **How do I receive an admission ticket?**

If you are a registered shareholder (your shares are held in your name) and plan to attend the meeting, your Annual Meeting admission ticket will be included in the Notice being mailed on or about March 27, 2012, or if you receive hard copies of the proxy material, the admission ticket can be detached from the top portion of the proxy card.

If your shares are held in street name (in the name of a bank, broker or other holder of record) and you plan to attend the meeting, you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the Record Date for admittance to the meeting.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the meeting.

### **Will the Annual Meeting be webcast?**

Our Annual Meeting will be webcast on May 10, 2012. You are invited to visit [www.oldnational.com](http://www.oldnational.com) at 9:00 a.m. Central Daylight Time on May 10, 2012, to access the webcast of the meeting. Registration for the webcast is not required. An archived copy of the webcast will also be available on our website through May 9, 2013.



## **Table of Contents**

### **How many votes are needed to have the proposals pass?**

**Election of Directors.** A plurality of the votes cast at the meeting is required to elect Directors. This means that the Director nominee with the most votes for a particular slot is elected for that slot. You may vote for or withheld with respect to the election of Directors. Only votes for or withheld are counted in determining whether a plurality has been cast in favor of a Director. Abstentions are not counted for purposes of the election of Directors.

Our Board has adopted a corporate governance policy regarding Director elections that is contained in our Corporate Governance Guidelines. The policy provides that in any uncontested election, any nominee for Director who receives a greater number of votes withheld for his or her election than votes for such election will tender his or her resignation as a Director promptly following the certification of the shareholder vote. The Corporate Governance and Nominating Committee, without participation by any Director so tendering his or her resignation, will consider the resignation offer and recommend to the Board whether to accept it. The Board, without participation by any Director so tendering his or her resignation, will act on the Corporate Governance and Nominating Committee's recommendation no later than 90 days following the date of the Annual Meeting at which the election occurred. If the Board decides to accept the Director's resignation, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill the resulting vacancy or to reduce the size of the Board. We will promptly disclose the Board's decision and the reasons for the decision in a broadly disseminated press release that will also be furnished to the SEC on Form 8-K.

**Approval of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan.** The approval of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan requires the affirmative vote of a majority of the shares present in person or by proxy at the meeting. Abstentions and broker non-votes will have the same effect as votes against the proposal.

**Approval of Non-binding Advisory Proposal on Executive Compensation.** The affirmative vote of a majority of the shares present in person or by proxy is required to approve the advisory vote on executive compensation. Because your vote is advisory, it will not be binding on the Board or the Company. However, the Board will review the voting results and take them into consideration when making future decisions regarding executive compensation.

**Ratification of Independent Registered Public Accounting Firm.** The affirmative vote of a majority of the shares present in person or by proxy is required for ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Company for fiscal year 2012.

### **What is householding ?**

We have adopted a procedure called householding, which has been approved by the SEC. Under this procedure, a single copy of the annual report and proxy statement will be sent to any household at which two or more shareholders reside if they appear to be members of the same family, unless one of the shareholders at that address notifies us that they wish to receive individual copies. This procedure reduces our printing costs and fees.

Shareholders who participate in householding will continue to receive separate proxy cards.

Householding will not affect dividend check mailings in any way.

If a single copy of the annual report and proxy statement was delivered to an address that you share with another shareholder, we will promptly deliver a separate copy to you upon your written or oral request to the Company's Shareholder Services Department at 812-464-1296 or 1-800-677-1749, at P.O. Box 929, Evansville, Indiana 47706-0929, or via email to [shareholderservices@oldnational.com](mailto:shareholderservices@oldnational.com).

Shareholders sharing an address who are receiving multiple copies of the annual report and proxy statement may request a single copy by contacting our Shareholder Services Department using the contact information set forth above.

## **Table of Contents**

A number of brokerage firms have instituted householding. If you hold your shares in street name, please contact your bank, broker, or other holder of record to request information about householding.

### **How are abstentions and broker non-votes treated?**

Abstentions and, unless a broker's authority to vote on a particular matter is limited, broker non-votes are counted in determining the votes present at the meeting. A broker has limited authority to vote on the election of directors but is not limited as to the proposal relating to the ratification of auditors. With respect to the election of Directors, abstentions, broker non-votes and instructions on the enclosed form of proxy to withhold authority to vote for one or more of the nominees will result in the nominee receiving fewer votes, but will not affect the outcome of the election. With respect to the ratification of auditors, abstentions and broker non-votes have the same effect as a vote against the proposal.

### **How do I designate my proxy?**

If you wish to give your proxy to someone other than the proxies identified on the proxy card, you may do so by crossing out all the names of the proxy members appearing on the proxy card and inserting the name of another person. The signed card must be presented at the Annual Meeting by the person you have designated on the proxy card.

### **Who will pay for the costs involved in the solicitation of proxies?**

The Company will pay all costs of preparing, assembling, printing and distributing the proxy materials. The Company retained Georgeson, Inc., a proxy soliciting firm, to assist in the solicitation of proxies, for an estimated fee of \$8,250 plus reimbursement of certain out-of-pocket expenses. Georgeson, Inc. may solicit proxies by personal interview, telephone, telefax, mail and electronic mail. In addition to solicitations by mail, Directors and Officers of the Company and its subsidiaries may solicit proxies personally, by telephone, telefax, electronic mail or in person, but such persons will not be specially compensated for their services.

We will, upon request, reimburse brokerage firms and others for their reasonable expenses incurred for forwarding solicitation material to beneficial owners of stock.

### **Other Matters Related to the Meeting**

Only matters brought before the Annual Meeting in accordance with the Company's By-Laws will be considered. Aside from the items listed above in the Notice of Annual Meeting, the Company does not know of any other matters that will be presented at the Annual Meeting. However, if any other matters properly come before the Annual Meeting or any adjournment, the proxy holders will vote them in accordance with their best judgment.

Should any nominee for Director become unable or unwilling to accept nomination or election, the persons acting under the proxy intend to vote for the election of another person recommended by the Corporate Governance and Nominating Committee and nominated by the Board. The Company has no reason to believe that any of the nominees will be unable or unwilling to serve if elected to office.

**Table of Contents**

**Report of the Corporate Governance and  
Nominating Committee and Other Board Matters**

The Corporate Governance and Nominating Committee is primarily responsible for corporate governance matters affecting the Company and its subsidiaries. The Corporate Governance and Nominating Committee operates under a written charter which conforms to the requirements of the SEC and the New York Stock Exchange ( NYSE ).

**Board Leadership Structure and Function**

The Board, which is elected by the shareholders, selects the Executive Leadership Group ( ELG ), which is the executive management team charged with the conduct of the Company s business. Having selected the ELG, the Board acts as an advisor and counselor to management and ultimately monitors its performance. The Board has the responsibility for overseeing the affairs of the Company and, thus, an obligation to keep informed about the Company s business. This involvement enables the Board to provide guidance to management in formulating and developing plans and to exercise its decision-making authority on appropriate matters of importance to the Company. Acting as a full Board and through the Board s seven standing committees, the Board oversees and approves the Company s strategic plan. The Board regularly reviews the Company s progress against its strategic plan and exercises oversight and decision-making authority regarding strategic areas of importance to the Company.

The Company s Corporate Governance Guidelines provide for a non-executive Chairman (currently Larry E. Dunigan), who acts as chair of meetings of the Board; leads executive sessions of the Board; consults and meets with any or all outside Directors as required and represents such Directors in discussions with management of the Company on corporate governance issues and other matters; ensures that the Board, committees of the Board, individual Directors and management of the Company understand and discharge their duties and obligations under the Company s system of corporate governance; mentors and counsels new members of the Board to assist them in becoming active and effective Directors; leads the Board in the annual evaluation of the Chief Executive Officer s ( CEO ) performance; acts in an advisory capacity to the president and CEO in all matters concerning the interests of the Board and relationships between management and the Board; and performs such other duties and responsibilities as may be delegated to the non-executive Chairman by the Board from time to time.

The Board elected Mr. Dunigan as non-executive Chairman in 2004 at the same time the Board hired Robert Jones to serve as President and Chief Executive Officer. The Board believes that separating the Chairman role from the Chief Executive Officer role allows the Chief Executive Officer to focus on the management and leadership of the business, while permitting the non-executive Chairman to focus on board and governance issues. The Board annually reviews the effectiveness of the arrangement and believes this structure is in the best interest of shareholders and serves the Company well.

Executive sessions, or meetings of outside Directors without management present, are held at regular intervals for both the Board and the Committees. Mr. Dunigan, as the non-executive Chairman of the Company, serves as the presiding Director of the executive session meetings of the non-management Directors of the Board. The Board meets in executive session a minimum of four times each year.

The Board met nine times during 2011. Each Director attended 86% or more of Board meetings and meetings of Committees on which they served in 2011. Directors as a group attended an average of 97.9% of the Board meetings and meetings of Committees on which they served in 2011.

**Corporate Governance and Nominating Committee Scope of Responsibilities**

The Corporate Governance and Nominating Committee has responsibility for recruiting and nominating new Directors, assessing the independence of non-management Directors, leading the Board in its annual

## **Table of Contents**

performance evaluation, reviewing and assessing the adequacy of the Corporate Governance Guidelines and retaining outside advisors as needed to assist and advise the Board with respect to legal and other accounting matters. The Corporate Governance and Nominating Committee is also responsible for reviewing with the full Board, on an annual basis, the requisite skills and characteristics of Board members as well as the composition of the Board as a whole.

### **CEO Succession Planning**

Among the Corporate Governance and Nominating Committee's responsibilities as described in its charter is to oversee CEO succession planning and leadership development for potential CEO candidates. The Board plans for succession of the CEO and annually reviews the succession strategy for an unplanned and planned event. As part of this process, the independent directors annually review the Corporate Governance and Nominating Committee's recommended candidates for consideration as the CEO under either a planned or unplanned scenario. The criteria used when assessing the qualifications of potential CEO successors include certain leadership, management and personal behaviors. The leadership behaviors include the ability to attract and develop talent, drive and execution, empowering others, shaping strategy and leading change. The management behaviors include communication and climate setting, establishing plans and priorities, managing and improving processes and performance monitoring and management. The personal behaviors important to the Corporate Governance and Nominating Committee in evaluating potential CEO candidates include the following: embodies the values that make the Company's culture distinctive, acts with honor and character, makes and maintains personal relationships with associates, clients and shareholders, demonstrates courage and serves as a champion of the Company's culture. The individual must also possess the skill and talent to lead the organization in a positive manner with wisdom, enthusiasm and humility.

### **Attendance at Annual Meetings**

The Company has not established a formal policy regarding Director attendance at its Annual Meeting, but it encourages all Directors to attend these meetings and reimburses expenses associated with attendance. The non-executive Chairman presides at the Annual Meeting. All the Directors attended the Annual Meeting in 2011.

### **Code of Conduct and Code of Ethics**

The Board has adopted a Code of Business Conduct and Ethics that sets forth important Company policies and procedures in conducting our business in a legal, ethical and responsible manner. These standards are applicable to all of our Directors and employees, including the Company's Chief Executive Officer, Chief Financial Officer and Controller. In addition, the Board has adopted the Code of Ethics for CEO and Senior Financial Officers that supplements the Code of Business Conduct and Ethics by providing more specific requirements and guidance on certain topics. The Code of Ethics for CEO and Senior Financial Officers applies to the Company's Chief Executive Officer, Chief Financial Officer and Controller. The Code of Business Conduct and Ethics and the Code of Ethics for CEO and Senior Financial Officers are available on our website at [www.oldnational.com](http://www.oldnational.com). We will post any material amendments to, or waivers from, our Code of Business Conduct and Ethics and Code of Ethics for Senior Financial Officers on our website within two days following the date of such amendment or waiver.

Employees are required to report any conduct they believe in good faith to be an actual or apparent violation of our Codes of Conduct. In addition, as required under the Sarbanes-Oxley Act of 2002, the Audit Committee has established confidential procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

The Code of Business Conduct and Ethics addresses, among other things, the following topics: working with integrity; honesty and fair dealing; compliance with laws, rules and regulations (including federal securities laws); conflicts of interest; corporate opportunities; protection and proper use of Company assets; protecting confidential information; and the reporting of any illegal or unethical behavior.

## **Table of Contents**

As discussed in more detail in the Report of the Audit Committee later in this proxy statement, the Company received an ethics certification from Ethisphere in 2009. This ethics certification is exclusively granted to organizations that can demonstrably prove the existence of a superior employee and leadership culture that promotes ethical, responsible and sustainable business practices. In 2011, Ethisphere performed a re-evaluation of the organization's corporate ethics program and initiatives, organizational health and culture, as well as a review of corporate governance, social responsibility and citizenship. As a result of the evaluation the Company was re-certified for 2012.

### **Corporate Governance Guidelines**

The Board has adopted the Corporate Governance Guidelines that, along with the Company's corporate charter, By-Laws and charters of the various committees of the Board, provide the foundation for the Company's governance. Among other things, our Corporate Governance Guidelines set forth the: (i) minimum qualifications for Directors; (ii) independence standards for Directors; (iii) responsibilities of Directors; (iv) majority vote standard election of Directors; (v) committees of the Board; (vi) access of Directors to the officers and employees of the Company; (vii) Directors' compensation; (viii) procedures for Director orientation and development; (ix) procedures for an annual review of the CEO and management succession planning; (x) stock ownership guidelines for executives and Directors; and (xi) procedures for an annual self-evaluation of the Board. In 2011, the Corporate Governance Guidelines were amended to update the stock ownership guidelines for executive officers.

### **Communications from Shareholders to Directors**

The Board believes that it is important that a direct and open line of communication exist between the Board and the Company's shareholders and other interested parties. As a consequence, the Board has adopted the procedures described in the following paragraph for communications to Directors.

Any shareholder or other interested party who desires to contact Old National's Chairman or the other members of the Board may do so by writing to: Board of Directors, c/o Corporate Secretary, Old National Bancorp, P.O. Box 718, Evansville, IN 47705-0718. Communications received are distributed to the non-executive Chairman or other members of the Board, as appropriate, depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls and auditing matters are received, then the Corporate Secretary will forward them to the Chairman of the Audit Committee for review.

### **Policy Regarding Consideration of Director Candidates Recommended by Shareholders**

The Company's nomination procedures for Directors are governed by its By-Laws. Each year the Corporate Governance and Nominating Committee makes a recommendation to the entire Board regarding nominees for election as Directors. The Corporate Governance and Nominating Committee will review suggestions from shareholders regarding nominees for election as Directors. All such suggestions from shareholders must be submitted in writing to the Corporate Governance and Nominating Committee at the Company's principal executive office not less than 120 days in advance of the date of the annual or special meeting of shareholders at which Directors are to be elected. All written suggestions of shareholders must set forth: (i) the name and address of the shareholder making the suggestion; (ii) the number and class of shares owned by such shareholder; (iii) the name, address and age of the suggested nominee for election as Director; (iv) the nominee's principal occupation during the five years preceding the date of suggestion; (v) all other information concerning the nominee as would be required to be included in the proxy statement used to solicit proxies for the election of the suggested nominee; and (vi) such other information as the Corporate Governance and Nominating Committee may reasonably request. Consent of the suggested nominee to serve as a Director of the Company, if elected, must also be included with the written suggestion.

## **Table of Contents**

In seeking individuals to serve as Directors, the Corporate Governance and Nominating Committee seeks members from diverse professional backgrounds who combine a broad spectrum of experience and expertise. Directors should have an active interest in the business of the Company, possess a willingness to represent the best interests of all shareholders, be able to objectively appraise management performance, possess the highest personal and professional ethics, integrity and values, and be able to comprehend and advise management on complicated issues that face the Company and Board.

Directors should also demonstrate achievement in one or more fields of business or professional, governmental, communal, scientific or educational endeavors. Directors are expected to have sound judgment, borne of management or policy making experience that demonstrates an ability to function effectively in an oversight role. In addition, Directors should have a general appreciation regarding major issues facing public companies of a size and operational scope similar to that of the Company. These issues include contemporary governance concerns, regulatory obligations of an SEC reporting financial holding company, strategic business planning and basic concepts of corporate finance.

The Company does not currently have a formal diversity policy. However, the Corporate Governance Guidelines state that the Board seeks members with diverse professional backgrounds. The Board also annually reviews the requisite skills and characteristics of Board members as well as the composition of the Board as a whole. The annual assessment includes a review of the skills, experience and diversity of the Board in the context of the needs of the Board.

### **Determination with Respect to the Independence of Directors**

It is the policy of the Board that a majority of its members be independent from management, and the Board has adopted Director Independence Standards that meet the listing standards of the NYSE. These Independence Standards are included in our Corporate Governance Guidelines which can be viewed under the Investor Relations/Corporate Governance link on the Company's website at [www.oldnational.com](http://www.oldnational.com).

In accordance with our Corporate Governance Guidelines, the Board undertook its annual review of Director independence. During this review, the Board considered any and all commercial and charitable relationships of Directors, including transactions and relationships between each Director or any member of his or her immediate family and the Company and its subsidiaries. Following the review, the Board affirmatively determined, by applying the Director Independence Standards contained in the Corporate Governance Guidelines, that each of our Directors nominated for election at this Annual Meeting is independent of the Company and its management in that none has a direct or indirect material relationship with the Company, with the exception of Robert G. Jones.

The independent Directors of the Company are Joseph D. Barnette, Jr., Alan W. Braun, Larry E. Dunigan, Niel C. Ellerbrook, Andrew E. Goebel, Phelps L. Lambert, Arthur H. McElwee, Jr., James T. Morris, Marjorie Z. Soyugenc, Kelly N. Stanley and Linda E. White. The only non-independent Director is President and CEO, Robert G. Jones. Mr. Jones is considered an inside Director because of his employment as President and CEO of the Company.

In addition, all members of the Audit Committee, the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee satisfy the standards of independence applicable to members of such committees established under applicable law, the listing requirements of the NYSE and the Director Independence Standards set forth in the Company's Corporate Governance Guidelines.

### **Determination with respect to Director Qualifications**

Members of the Board must possess certain basic personal and professional qualities in order to properly discharge their fiduciary duties to shareholders, provide effective oversight of the management of the Company and monitor the Company's adherence to principles of sound corporate governance. In seeking individuals to serve as Directors, the Corporate Governance & Nominating Committee seeks members from diverse



**Table of Contents**

professional backgrounds who combine a broad spectrum of experience and expertise. The Directors of the Company have an active interest in the business of the Company and possess a willingness to represent the best interests of all shareholders without favoring or advancing any particular shareholder or other constituency of the Company. The Directors are able to objectively appraise management performance, and they possess the highest personal and professional ethics, integrity and values, and are able to comprehend and advise management on complicated issues that face the Company and Board.

In addition to the general skills stated above, the Directors do not have any interests that would materially impair their ability to exercise independent judgment, or otherwise discharge the fiduciary duties owed as a Director to the Company and its shareholders. As stated on pages 15 through 20, our Directors have demonstrated significant achievement and generally have significant management experience in one or more fields of business, professional, governmental, communal, and educational endeavors. Our Directors have sound judgment, borne of their management or policy-making experience and demonstrate an ability to function effectively in an oversight role. Given the tenure of most of the Directors on our Board, they have a general appreciation regarding major issues facing public companies.

**Director Compensation**

All outside Directors of the Company receive an annual retainer of \$35,000 for serving on the Board. The outside Directors receive \$20,000 of the retainer in cash, while \$15,000 of the retainer is paid in Company stock. In addition, outside Directors receive \$1,500 for each Board meeting they attend. Directors not otherwise employed by the Company also receive \$1,000 for each Committee meeting attended and Audit Committee members receive \$1,500 for each Audit Committee meeting attended. The Audit Committee Chairman receives an additional annual retainer of \$7,500 and Directors serving as a Committee Chairperson on other committees receive an additional annual retainer of \$2,500. The non-executive Chairman of the Board receives an additional annual retainer of \$25,000. Robert G. Jones, President and CEO of the Company, is the only inside Director on the Board and receives no compensation for his Directorship. For more information on Director Compensation, please refer to pages 12 and 13.

**Committees of our Board**

The following table lists the current membership of the Company's standing Board Committees.

| <b>Director</b>         | <b>Audit</b> | <b>Compensation<br/>and<br/>Management<br/>Development</b> | <b>Corporate<br/>Governance<br/>and<br/>Nominating</b> | <b>Funds<br/>Management</b> | <b>Risk and<br/>Credit<br/>Policy</b> | <b>Community and<br/>Social<br/>Responsibility</b> | <b>Finance</b> |
|-------------------------|--------------|--|--|-----------------------------|---------------------------------------|--|----------------|
| Joseph D. Barnette, Jr. |              | X  |  |                             | Chair                                 |  |                |
| Alan W. Braun           |              |  |  | X                           | X                                     | X  | Chair          |
| Larry E. Dunigan        |              | X  | Chair  |                             | X                                     |  | X              |
| Niel C. Ellerbrook      |              | Chair  | X  |                             |                                       |  |                |
| Andrew E. Goebel        | Chair        |  |  | X                           | X                                     |  |                |
| Robert G. Jones         |              |  |  |                             |                                       |  |                |
| Phelps L. Lambert       | X            |  | X  | Chair                       |                                       |  |                |
| Arthur H. McElwee, Jr.  | X            |  |  | X                           |                                       |  |                |
| James T. Morris         |              | X  |  |                             |                                       |  |                |
| Marjorie Z. Soyugenc    | X            | X  |  |                             |                                       | Chair  |                |
| Kelly N. Stanley        |              |  | X  |                             |                                       |  |                |
| Linda E. White          |              |  |  |                             | X                                     | X  | X              |

## **Table of Contents**

The members of the Company's Board are elected to various committees. The standing committees of the Board include an Audit Committee, a Compensation and Management Development Committee, a Corporate Governance and Nominating Committee, a Funds Management Committee, a Risk and Credit Policy Committee, a Community and Social Responsibility Committee and a Finance Committee.

The current members of the Audit Committee are Andrew E. Goebel (Chairman), Phelps L. Lambert, Arthur H. McElwee, Jr. and Marjorie Z. Soyugenc. The Audit Committee held eight meetings during 2011. The functions of the Audit Committee are described under Report of the Audit Committee on page 67. The Audit Committee has adopted a written charter which has been approved by the Board.

The current members of the Corporate Governance and Nominating Committee are Larry E. Dunigan (Chairman), Niel C. Ellerbrook, Phelps L. Lambert, and Kelly N. Stanley. The Corporate Governance and Nominating Committee met three times in 2011. The functions of the Corporate Governance and Nominating Committee are described under Report of the Corporate Governance and Nominating Committee and Other Board Matters on page 5. The Corporate Governance and Nominating Committee has adopted a written charter which has been approved by the Board.

The current members of the Compensation and Management Development Committee are Niel C. Ellerbrook (Chairman), Joseph D. Barnette, Jr., Larry E. Dunigan, James T. Morris and Marjorie Z. Soyugenc. Mr. Barnette will retire from the Board effective May 10, 2012, due to the fact he has reached the retirement age for directors of 72. The Compensation and Management Development Committee met four times during 2011. The functions of the Compensation and Management Development Committee are described under Scope of Responsibilities on page 32. The Compensation and Management Development Committee has adopted a written charter which has been approved by the Board.

The current members of the Risk and Credit Policy Committee are Joseph D. Barnette, Jr. (Chairman), Alan W. Braun, Larry E. Dunigan, Andrew E. Goebel and Linda E. White. Upon Mr. Barnette's retirement effective May 10, 2012, Ms. White will assume the Chairperson role for this committee. The Risk and Credit Policy Committee met four times in 2011. The function of the Risk and Credit Policy Committee is to oversee the Company's policies, procedures and practices relating to credit, operation and compliance risk. The Risk and Credit Policy Committee has adopted a written charter which has been approved by the Board.

The current members of the Community and Social Responsibility Committee are Marjorie Z. Soyugenc (Chairperson), Alan W. Braun and Linda E. White. The Community and Social Responsibility Committee met four times in 2011. The Community and Social Responsibility Committee has the responsibility to review the Company's compliance with the Community Reinvestment Act, Fair Lending Practices, associate commitment and diversity, supplier diversity and the Company's Affirmative Action Plan. The Community and Social Responsibility Committee also monitors the activities of the Old National Bank Foundation through which major charitable gifts from the Company are funded. The Community and Social Responsibility Committee has adopted a written charter which has been approved by the Board.

The current members of the Funds Management Committee are Phelps L. Lambert (Chairman), Alan W. Braun, Andrew E. Goebel and Arthur H. McElwee, Jr. The Funds Management Committee met four times during 2011. The function of the Funds Management Committee is to monitor the balance sheet risk profile of the Company, including credit, interest rate, liquidity and leverage risks. The Funds Management Committee is also responsible for reviewing and approving the investment policy for the Company. The Funds Management Committee has adopted a written charter which has been approved by the Board.

The current members of the Finance Committee are Alan W. Braun (Chairman), Larry E. Dunigan and Linda E. White. The Finance Committee met seven times in 2011. The Finance Committee has the responsibility to review management's financial forecasts, goals and budget and to monitor and provide appropriate feedback concerning the financial performance of the Company.

## **Table of Contents**

In addition to serving on the Corporate Governance and Nominating Committee, Kelly Stanley serves as Chairman of the Board of Directors of Old National Insurance, a subsidiary of the Company.

In addition to serving as a current member of the Audit Committee and the Funds Management Committee, Arthur McElwee, Jr. serves on the Board of Old National Insurance, a subsidiary of the Company.

In addition to serving as a current member of the Compensation Committee, James Morris serves on the Board of Old National Insurance, a subsidiary of the Company.

## **Availability of Corporate Governance Documents**

The Company's Corporate Governance Guidelines (including the Director Independence Standards), Board committee charters for the Audit Committee, Corporate Governance and Nominating Committee, and the Compensation and Management Development Committee, as well as the Code of Business Conduct and Ethics, and the Code of Ethics for CEO and Senior Financial Officers can be viewed under the Investor Relations/Corporate Governance link on the Company's website at [www.oldnational.com](http://www.oldnational.com). These documents, as well as charters for all of the Company's Board committees, are available in print to any interested party who requests them by writing to: Corporate Secretary, Old National Bancorp, P.O. Box 718, Evansville, IN 47705-0718.

## **Risk Oversight**

The entire Board is involved in overseeing risk associated with the Company. The charters of certain committees of the Board assign oversight responsibility for particular areas of risk. The Board and its committees monitor risks associated with their respective principal areas of focus through regular meetings with management and representatives of outside advisors.

The following is a summary of oversight responsibility for particular areas of risk:

Audit Committee. Risks and exposures associated with accounting, financial reporting, tax and maintaining effective internal controls for financial reporting.

Risk and Credit Policy Committee. Credit, regulatory, operational and enterprise risks, as well as litigation that may present material risk to the Company.

Corporate Governance and Nominating Committee. Risks associated with CEO succession planning. Risks with respect to corporate governance, including compliance with listing standards, committee assignments, conflicts of interest and director succession planning.

Funds Management Committee. Liquidity, capital and interest rate risks.

Compensation and Management Development Committee. Risks associated with the Company's compensation programs and arrangements, including cash and equity incentive plans.

Community and Social Responsibility Committee. Risks associated with associate and customer commitment, the Community Reinvestment Act, fair lending, associate and supplier diversity and the Company's Affirmative Action Plan.

Finance Committee. Budgeting oversight and management of budget risks.



**Table of Contents**

## **Director Compensation**

The Corporate Governance and Nominating Committee annually reviews and recommends the compensation for our non-employee Directors. No fees are paid to Directors who are also employees. As a starting point for its recommendations, the Corporate Governance and Nominating Committee uses the peer group compensation data prepared for the Compensation Committee by the Compensation Consultant. The Committee seeks to establish Board compensation that is at the median for the peer group.

For 2011, we paid all outside Directors an annual retainer of \$35,000 for serving as Directors. Of this amount, we paid \$20,000 in cash and \$15,000 in the form of our stock. We paid this fee in two equal installments in May and November. In addition, Directors received \$1,500 for each Board meeting they attended. We paid Board committee members (other than Audit Committee members) \$1,000 for each committee meeting attended, and we paid Audit Committee members \$1,500 for each Audit Committee meeting attended. We pay meeting fees quarterly in the month following the end of the quarter, except fees for the last quarter of the year, which we pay in December.

For 2011, we paid the Non-Executive Chairman of the Board an additional retainer of \$25,000. We paid the Audit Committee Chairman an additional retainer of \$7,500 and other committee chairmen an additional retainer of \$2,500. We paid these additional retainers in May.

We maintain a nonqualified deferred compensation plan, known as the Directors Deferred Compensation Plan, for our non-employee Directors. A Director may defer 25%, 50%, 75%, or 100% of his cash compensation pursuant to the plan. We credit a Director's plan account with earnings based on the hypothetical earnings of an investment fund consisting of Company stock, the return on a recognized market index selected by the Compensation Committee, or a combination of the two, as elected by the Director. For the market index fund, we use a Bloomberg fund index, which approximates the risk and return associated with a diversified high quality corporate bond.

All amounts paid under the plan are paid from our general assets and are subject to the claims of our creditors. In most circumstances, deferred amounts are not distributed to the Director until after termination of his or her service. In general, the Director may elect to receive his or her plan benefits in a lump sum or in annual installments over two to ten years.

**Table of Contents**

The following table shows all outside Director compensation paid for 2011. Mr. Jones is not compensated as a Director, since employees who serve as Directors are not compensated for their service as a Director.

**2011 Director Compensation**

| Name                       | Fees Earned<br>or Paid in<br>Cash (\$)<br>(a)<br>(b) | Stock<br>Awards (1)<br>(\$)<br>(c) | Change in Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings (2)<br>(\$)<br>(f) | Total<br>(\$)<br>(h) |
|----------------------------|--|------------------------------------|---|----------------------|
|                            |  |                                    |   |                      |
| Larry E. Dunigan, Chairman | 82,000(3)  | 14,996                             |   | 96,996               |
| Joseph D. Barnette, Jr.    | 50,500(4)  | 14,996                             |   | 65,496               |
| Alan W. Braun              | 57,500(5)  | 14,996                             |   | 72,496               |
| Niel C. Ellerbrook         | 43,000(6)  | 14,996                             |   | 57,996               |
| Andrew E. Goebel           | 69,000(7)  | 14,996                             |   | 83,996               |
| Phelps L. Lambert          | 64,000(8)  | 14,996                             |   | 78,996               |
| Arthur H. McElwee, Jr.     | 58,500(9)  | 14,996                             |   | 73,496               |
| James T. Morris            | 46,500(10)   | 14,996                             |   | 61,496               |
| Marjorie Z. Soyugenc       | 56,000(11)   | 14,996                             | 2,110   | 73,106               |
| Kelly N. Stanley           | 47,000(12)   | 14,996                             |   | 61,996               |
| Linda E. White             | 47,000   | 14,996                             | 157   | 62,153               |

(1) On May 6, 2011, Joseph D. Barnette, Jr., Alan W. Braun, Larry E. Dunigan, Niel C. Ellerbrook, Andrew E. Goebel, Phelps L. Lambert, Arthur H. McElwee, Jr., James T. Morris, Marjorie Z. Soyugenc, Kelly N. Stanley and Linda E. White each received 736 shares of Company stock at a closing stock price of \$10.19 per share with a Grant Date Fair Value of \$7,499.84. On November 4, 2011, Joseph D. Barnette, Jr., Alan W. Braun, Larry E. Dunigan, Niel C. Ellerbrook, Andrew E. Goebel, Phelps L. Lambert, Arthur H. McElwee, Jr., James T. Morris, Marjorie Z. Soyugenc, Kelly N. Stanley and Linda E. White each received 638 shares of Company stock at a closing stock price of \$11.75 with a Grant Date Fair Value of \$7,496.50.

(2) The amounts specified in Column (f) are attributable entirely to earnings credits under our Directors Deferred Compensation Plan in excess of the applicable federal long-term rate, with compounding (as described by Section 1274(d) of the Internal Revenue Code).

(3) Includes additional retainer for services as Board Chairman and Corporate Governance and Nominating Committee Chairman.

(4) Includes additional retainer for services as Chairman of Risk and Credit Policy Committee.

(5) Includes additional retainer for services as Chairman of the Finance Committee.

(6) Includes additional retainer for services as Chairman of Compensation and Management Development Committee.

(7) Includes additional retainer for services as Chairman of Audit Committee.

(8) Includes additional retainer for services as Chairman of Funds Management Committee.

(9) Includes additional retainer and meeting fees for services as a member of Old National Insurance Board.

(10) Includes additional retainer and meeting fees for services as a member of Old National Insurance Board.

(11) Includes additional retainer for services as Chairperson of Community and Social Responsibility Committee.

(12) Includes additional retainer and meeting fees for services as Chairman of Old National Insurance Board.

**Table of Contents**

**Item 1: Election of Directors**

The first item to be acted upon at the Annual Meeting is the election of eleven Directors to the Board of the Company. Each of the persons elected will serve a term of one year and until the election and qualification of his or her successor.

If any Director nominee named in this proxy statement shall become unable or decline to serve (an event which the Board does not anticipate), the persons named as proxies will have discretionary authority to vote for a substitute nominee named by the Board, if the Board determines to fill such nominee's position. Unless authorization is withheld, the proxy, when properly validated, will be voted FOR the election as Directors of all of the nominees listed in this proxy statement.

The By-Laws of the Company currently provide for the Board to be comprised of 12 Directors. The Board currently contemplates taking action to either reduce the size of the Board to 11 persons or to fill the vacancy. The proxies may not be voted for a greater number of persons than are presently nominated as Directors.

Pages 15 through 22 contain the following information with respect to each Director nominee of the Company: name; principal occupation or business experience for the last five years; skills and other qualifications to serve on the Board; age; the year in which the nominee or incumbent Director first became a Director of the Company; the number of shares of common stock of the Company beneficially owned by the nominee or incumbent Director as of March 2, 2012; and the percentage that the shares beneficially owned represent of the total outstanding shares of the Company as of March 2, 2012. The number of shares of common stock of the Company shown as being beneficially owned by each Director nominee or incumbent Director includes those over which he or she has either sole or shared voting or investment power.



## **Table of Contents**

Listed below is certain biographical information of each of the nominees for election including his or her principal occupation and other business affiliations.

### **Nominees for Director to be Elected**

#### **Alan W. Braun**

Mr. Braun, 67, was elected to the Board in 1988. He is a member of the Funds Management Committee, Risk and Credit Policy Committee and the Community and Social Responsibility Committee, and serves as Chairman of the Finance Committee. Mr. Braun brings to the Board, among other skills and qualifications, 40+ years as a construction executive with Industrial Contractors, Inc., a Top 400 Contractor, where he served as Chairman and CEO since 2009, and Chairman, President and CEO from 2003 to 2009. On December 28, 2011, Industrial Contractors, Inc. was acquired by Skanska USA. Mr. Braun is currently serving as Chairman Emeritus of Industrial Contractors Skanska. Mr. Braun also has management experience and an in-depth knowledge of finance, as well as banking, due to his lengthy tenure on the Company's Board.

Mr. Braun holds a BBA in Accounting from the University of Notre Dame. Mr. Braun is a director of Koch Enterprises, Inc. and has served in leadership positions for numerous nonprofit and civic organizations.

#### **Larry E. Dunigan**

Mr. Dunigan, 69, was elected to the Board in 1982 and serves as the Company's non-executive Chairman. He is Chairman of the Corporate Governance and Nominating Committee and a member of the Compensation and Management Development Committee, Risk and Credit Policy Committee and the Finance Committee. Mr. Dunigan has served as Chief Executive Officer of Holiday Management Company, a healthcare services company, since 1993, and as President of Holiday Management Foundation, a non-profit foundation, since 1975.

Mr. Dunigan brings to the Board, among other skills and qualifications, 40+ years as an entrepreneur and founder of several local businesses in the health care and communications industries, as well as 30 years as a member of the Board of the Company. He has extensive experience in management and brings to the Board a strategic vision for the Company. He previously served as a director of the St. Louis Federal Reserve Board - Louisville Branch. Mr. Dunigan serves on the Board of Trustees for the University of Evansville and has served in leadership positions for numerous other nonprofit and civic organizations.

Non-management members of the Board elected Mr. Dunigan to serve as the non-executive Chairman in 2004 where he serves as a vital link between the management and the Board of Directors.

**Table of Contents**

**Niel C. Ellerbrook**

Mr. Ellerbrook, 63, was elected to the Board in 2002. He is Chairman of the Compensation and Management Development Committee and serves on the Corporate Governance and Nominating Committee. From 2000 to 2010, he served as Chairman and CEO of Vectren Corporation, an Evansville, Indiana based publicly traded company. After his retirement in 2010 he served as Vectren's non-executive Chairman until May 11, 2011 and currently serves as a director on Vectren's board. Mr. Ellerbrook brings to the Board, among other skills and qualifications, a 30+ year management career in the energy industry. He also has significant experience as a senior executive of a large public company and significant experience in finance.

Mr. Ellerbrook holds a BS in Accounting from Ball State University. Mr. Ellerbrook serves on the Board of Trustees of the University of Evansville and has served in leadership positions for numerous nonprofit and civic organizations.

**Andrew E. Goebel**

Mr. Goebel, 64, was elected to the Board in 2000. He is Chairman of the Audit Committee and is an Audit Committee Financial Expert as defined by the SEC. He is a member of the Funds Management Committee and Risk and Credit Policy Committee. Mr. Goebel has served as a financial and management consultant since 2003. Mr. Goebel brings to the Board, among other skills and qualifications, a 34-year career in the energy industry where he served in various capacities including President and Chief Operating Officer of Vectren Corporation from where he retired in 2003. He also has significant experience as a senior executive of a large public company and significant experience in finance.

Mr. Goebel holds a BSBA and an MBA from the University of Evansville. He serves as a director of various privately-held companies headquartered in Southwest Indiana, including Brake Supply Company, Inc., South Central Communications and Community Natural Gas Company, Inc. He also serves as a director of Indiana-American Water Company, headquartered in Greenwood, Indiana, a wholly-owned subsidiary of American Water Works Company, the largest publicly traded water utility in the country. He is a member of the Board of Trustees of the University of Evansville and serves in leadership positions for numerous other nonprofit and civic organizations.

**Table of Contents**

**Robert G. Jones**

Mr. Jones, 55, was elected to the Board in 2004 when he became President and CEO of the Company. Prior to joining Old National, Mr. Jones served for 25 years at KeyCorp, most recently as CEO of McDonald Investments Inc., the KeyCorp business unit that provides brokerage, capital markets, insurance, investment banking, and asset management services.

Mr. Jones brings to the Board, among other skills and qualifications, extensive bank management experience derived from working over 30 years in the banking industry. Mr. Jones' strong leadership skills, extensive banking experience, and knowledge of the Company and its products and services is tremendously valuable to the Board. Mr. Jones also brings to the Board a broad strategic vision for the Company, and the Board believes this is valuable in developing and implementing the Company's strategic growth initiatives.

Mr. Jones holds a BA in Political Science and Business Administration from Ashland University. He serves on the Federal Reserve Bank of St. Louis Board of Directors, where he is a member of its Executive Committee and chairs the Audit Committee.

In addition to serving as a member of the Board of Trustees of the University of Evansville, Mr. Jones was elected as a Board member for Vectren Corporation on February 2, 2011. Mr. Jones also serves in leadership positions for numerous other nonprofit and civic organizations.

**Phelps L. Lambert**

Mr. Lambert, 64, was elected to the Board in 1990. He is Chairman of the Funds Management Committee and member of the Audit Committee and Corporate Governance and Nominating Committee. Since 1992, Mr. Lambert has served as Managing Partner of Lambert and Lambert, an investment partnership. Mr. Lambert brings to the Board, among other skills and qualifications, financial and legal expertise as well as 14+ years serving as COO/CEO of Farmers Bank & Trust Company in Henderson, Kentucky.

Mr. Lambert holds a BA in Political Science from Brown University and a Juris Doctorate from the University of Kentucky. He is a member of the Kentucky Bar Association.

**Table of Contents**

**Arthur H. McElwee, Jr.**

Mr. McElwee, 69, was elected to the Board in 2007. He is a member of the Audit Committee, and Funds Management Committee and serves on the Board of Old National Insurance, a subsidiary of the Company. Mr. McElwee has served as Chairman of Toefco Engineered Coating Systems, Inc., an industrial coatings application company, since 2008, and as Chairman and President of Toefco from 1994 to 2008. He has served as a Partner in Rosenthal Partners Capital Advisors, LLC, a private investment company, since 2009.

Mr. McElwee brings to the Board, among other skills and qualifications, extensive experience in management, finance and the banking industry. Mr. McElwee's banking career began in 1962 with the former First National Bank of Bloomington, Indiana. In 1974, he became President of the former St. Joseph Bank and Trust Company in South Bend, Indiana. This bank became Trustcorp Bank in 1988 and Society Bank, Indiana following a subsequent merger whereby Mr. McElwee served as Chairman and Chief Executive Officer. In 1991, Mr. McElwee became President of Goshen Rubber Company, Inc. in Goshen, Indiana.

Mr. McElwee served as founder and Director of St. Joseph Capital Bancorp in Mishawaka, Indiana from 1997 to 2007 when it merged with Old National. Mr. McElwee serves as a Partner in St. Joseph Development & Investment Company and McElwee Real Estate, LLC.

**James T. Morris**

Mr. Morris, 68, was elected to the Board in October of 2010. He is a member of the Compensation and Management Development Committee and serves on the Board of Old National Insurance, a subsidiary of the Company.

Mr. Morris has served as President of Pacers Sports & Entertainment, a professional basketball and building management company, since 2007. From 2002 to 2007, he served as Executive Director of the United Nations World Food Programme, the largest humanitarian agency in the world addressing world hunger. From 1989 to 2002, Mr. Morris served as Chairman and CEO of IWC Resources Corporation and its principal subsidiary, Indianapolis Water Company. IWC Resources Corporation was a publicly-traded holding company with 2,500 employees in the water utility/utility services industry. From 1973 to 1989, he served in various executive positions for Lilly Endowment, Inc., a private philanthropic foundation. He also served as Administrative Assistant and Chief of Staff in the Office of the Mayor, City of Indianapolis from 1967 to 1973. He served under former Mayor Richard G. Lugar, currently Indiana's senior United States Senator. From 1965 to 1967 he was involved in the training program and correspondent and consumer banking for American Fletcher National Bank. He is currently a director of One America Mutual Insurance and a director of the Strategic Policy Board of Elanco.

Mr. Morris brings to the Board, among other skills and qualifications, extensive experience in management and leadership with various companies and other philanthropic organizations. He also has extensive experience as a senior executive of a large public company.

Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

Mr. Morris holds a Bachelor of Arts Degree from Indiana University and an MBA from Butler University.

Mr. Morris serves in leadership positions for numerous nonprofit and civic organizations.

**Table of Contents**

**Marjorie Z. Soyugenc**

Ms. Soyugenc, 71, was elected to the Board in 1993. She is Chairman of the Community and Social Responsibility Committee, and a member of the Audit Committee and a member of the Compensation and Management Development Committee. Since 2009, Ms. Soyugenc has served as Chairman of Evansville Metal Products, a manufacturer of metal products. Ms. Soyugenc previously enjoyed a 40-year career in the healthcare industry, serving as CEO of the former Welborn Baptist Hospital in Evansville, Indiana from 1986 to 1999 and CEO of Welborn Baptist Foundation, Inc., a non-profit foundation, from 1999 to 2009. Ms. Soyugenc's management and leadership skills, developed over a 40-year career in the healthcare industry, among other skills and qualifications, assists the Board in fulfilling its oversight role. Ms. Soyugenc holds a BS in Biology from the Illinois Institute of Technology and an MBA from the University of Evansville. She serves on the Board of Trustees of the University of Evansville, as a Director of Southwestern Healthcare, Inc. and WNIN. She serves in leadership positions for numerous nonprofit organizations.

**Kelly N. Stanley**

Mr. Stanley, 68, was elected to the Board in 2000. He is a member of the Corporate Governance and Nominating Committee and serves as Chairman of the Board for Old National Insurance, a subsidiary of the Company. Mr. Stanley has held leadership roles in the healthcare industry for 30+ years. In 2009, he retired as President and CEO of Cardinal Health System, Inc. His career also includes several years of service as Chairman of Ball Memorial Hospital, Inc., a health services provider, and Vice Chairman of Cardinal Health System, Inc. He was President of BMH Foundation, Inc., a non-profit foundation from 2005 to 2007. Mr. Stanley's professional career includes nine years of practicing law and 15 years as in-house general counsel. He served as CEO of Ontario Corporation, a privately-held international manufacturing and technology company headquartered in Muncie, Indiana for 10 years. Mr. Stanley brings to the Board, among other skills and qualifications, extensive business and legal skills that assist the Board in fulfilling its oversight role of management.

Mr. Stanley holds a BS in Business from Miami University (Oxford, Ohio) and a JD from the Indiana University School of Law. Mr. Stanley served as Chairman of American National Bank at the time of its merger with Old National Bank. For over 10 years he served in various board leadership roles with the United States Chamber of Commerce, including as Chairman of that organization from 1999 to 2000. He is a director of the United States Chamber Foundation. Additionally, Mr. Stanley has served in leadership positions for numerous non-profit and civic organizations.

**Table of Contents**

**Linda E. White**

Ms. White, 62, was elected to the Board in 2008. She is a member of the Community and Social Responsibility Committee, Risk and Credit Policy Committee and the Finance Committee. Ms. White has served as an administrator at Deaconess Hospital since 1985. Since 2004, she has served as President and CEO for Deaconess Health System, Inc. which includes six acute care hospitals in southwest Indiana. Ms. White brings to the Board, among other skills and qualifications, extensive experience in management and leadership in the healthcare industry.

Ms. White holds a BS in Nursing and an MBA from the University of Evansville, and a BS in Applied Mathematics from Indiana State University. She is a fellow in the American College of Healthcare Executives. She serves on the board of Deaconess Hospital, Deaconess Health System, Indiana Hospital Association and VHA Central. She serves on the board of the Boys & Girls Club and is a member of the Board of Trustees of the University of Evansville.

**Our Board unanimously recommends that you vote FOR the election of the eleven candidates for Director.**

**Table of Contents**

**COMMON STOCK BENEFICIALLY OWNED BY DIRECTORS  
AND EXECUTIVE OFFICERS**

The following table and accompanying footnotes set forth information concerning the beneficial ownership of the shares of common stock of the Company as of March 2, 2012 by (i) each person or entity known by us to own beneficially more than 5% of our Common Stock; (ii) each Director and Named Executive Officer; and (iii) all Directors and Executive Officers as a group.

| Name of Person  | Number of Shares<br>Beneficially Owned <sup>(1)</sup> | Percent of<br>Common Stock |
|---|---|----------------------------|
| BlackRock, Inc.   | 8,957,996 <sup>(2)</sup>                              | 9.45%                      |
| The Vanguard Group, Inc.                                    | 4,949,825 <sup>(3)</sup>                              | 5.22%                      |
| Joseph D. Barnette, Jr.                                     | 14,249 <sup>(4)</sup>                                 | *                          |
| Alan W. Braun   | 373,888 <sup>(5)</sup>                                | *                          |
| Larry E. Dunigan  | 352,867 <sup>(6)</sup>                                | *                          |
| Niel C. Ellerbrook  | 27,966 <sup>(7)</sup>                                 | *                          |
| Andrew E. Goebel  | 22,758 <sup>(8)</sup>                                 | *                          |
| Robert G. Jones   | 555,128 <sup>(9)</sup>                                | *                          |
| Jeffrey L. Knight   | 135,351 <sup>(10)</sup>                               | *                          |
| Phelps L. Lambert   | 183,459 <sup>(11)</sup>                               | *                          |
| Arthur H. McElwee, Jr.                                      | 39,134 <sup>(12)</sup>                                | *                          |
| Daryl D. Moore  | 211,869 <sup>(13)</sup>                               | *                          |
| James T. Morris   | 6,328   | *                          |
| Barbara A. Murphy   | 140,852 <sup>(14)</sup>                               | *                          |
| Marjorie Z. Soyugenc  | 294,762 <sup>(15)</sup>                               | *                          |
| Kelly N. Stanley  | 70,852 <sup>(16)</sup>                                | *                          |
| Linda E. White  | 19,195 <sup>(17)</sup>                                | *                          |
| Christopher A. Wolking                                      | 188,828 <sup>(18)</sup>                               | *                          |
| Directors and Executive<br>Officers as a Group (20 persons) | 2,885,400   | 3.1%                       |

\*Less than 1%

- (1) Unless otherwise indicated in a footnote, each person listed in the table possesses sole voting and sole investment power with respect to the shares shown in the table to be owned by that person.
- (2) BlackRock, Inc. reported beneficial ownership in a Schedule 13G filed with the SEC on February 9, 2012. The Schedule 13G reported that BlackRock, Inc. has sole voting power and sole dispositive power over 8,957,996 shares. BlackRock, Inc. is located at 55 E. 52<sup>nd</sup> Street, New York, NY 10055.
- (3) The Vanguard Group, Inc. reported beneficial ownership in a Schedule 13G filed with the SEC on February 6, 2012. The Schedule 13G reported that The VanGuard Group, Inc. has sole voting power and shared dispositive power over 145,222 shares and sole dispositive power over 4,804,603 shares. The VanGuard Group, Inc. is located at 100 Vanguard Blvd., Malvern, PA 19355.



## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

- (4) Includes 1,000 shares held by Charlene Ann Barnette, Mr. Barnette's spouse.
- (5) Includes 316 shares held by Alan W. and Sharon A. Braun. Also includes 2,835 shares held in The Braun Investment Partnership, L.P. of which Mr. Braun is a general partner and 62,862 shares held in the MAB Family Trust. Mr. Braun disclaims beneficial ownership of the shares except to the extent of his pecuniary interest.
- (6) Includes 10,722 shares held by Kevin T. Dunigan Trust, Sharon Dunigan, trustee; 3,980 shares held by Mitchell Ryan Dunigan Trust, Larry Dunigan, trustee; 3,423 shares held by Sharon Dunigan and 102,487 shares held by Larry E. and Sharon Dunigan.

**Table of Contents**

- (7) Includes 1,485 shares held by Karen Ellerbrook, Mr. Ellerbrook's spouse.
- (8) Includes 962 shares held by Darlene Goebel, Mr. Goebel's spouse.
- (9) Includes 250,250 shares issued to Mr. Jones upon exercise of outstanding stock options immediately exercisable. Also includes 160,794 shares of performance-based restricted stock, and 45,894 shares of phantom stock in the ONB Deferred Compensation Plan.
- (10) Includes 79,635 shares issued to Mr. Knight upon exercise of outstanding stock options immediately exercisable. Also includes 24,208 shares of performance-based restricted stock, and 7,734 shares of service-based restricted stock.
- (11) Includes 11,765 shares held by Carol M. Lambert, Mr. Lambert's spouse. Also includes 7,128 shares of phantom stock in the ONB Deferred Compensation Plan.
- (12) Includes 2,000 shares held by Mrs. McElwee, Mr. McElwee's spouse and 300 shares held in custodial name for six individual grandchildren.
- (13) Includes 134,490 shares issued to Mr. Moore upon exercise of outstanding stock options immediately exercisable. Also includes 21,944 shares of performance-based restricted stock and 7,368 shares of service-based restricted stock.
- (14) Includes 68,700 shares issued to Ms. Murphy upon exercise of outstanding stock options immediately exercisable. Also includes 37,869 shares of performance-based restricted stock and 13,000 shares of service-based restricted stock.
- (15) Includes 268,339 shares held by Rahmi Soyugenc, Ms. Soyugenc's spouse.
- (16) Includes 252 shares held by Donna M. Stanley, Mr. Stanley's spouse. Also includes 30,990 shares of phantom stock in the ONB Deferred Compensation Plan.
- (17) Includes 14,441 shares of phantom stock in the ONB Deferred Compensation Plan.
- (18) Includes 104,763 shares issued to Mr. Wolking upon exercise of outstanding stock options immediately exercisable. Also includes 37,869 shares of performance-based restricted stock, 13,000 shares of service-based restricted stock, and 4,146 shares of phantom stock in the ONB Deferred Compensation Plan.

**Table of Contents****Executive Officers of the Company**

The executive officers of the Company are listed in the table below. Each officer serves a term of office of one year and until the election and qualification of his or her successor.

| <b>Name</b>             | <b>Age</b> | <b>Office and Business Experience</b>   |
|-------------------------|------------|---|
| Robert G. Jones         | 55         | President, Chief Executive Officer, and Director of the Company since September 2004. CEO of McDonald Investments, Inc., a subsidiary of KeyCorp, from September 2001 to September 2004, and Executive Vice President of KeyCorp from December 1999 to September 2001.  |
| Christopher A. Wolking  | 52         | Senior Executive Vice President and Chief Financial Officer of the Company since January 2007, and Executive Vice President and Chief Financial Officer of the Company from January 2005 to January 2007. Senior Vice President of the Company from 2001 to January 2005 and Vice President of the Company from 1999 to 2001. Treasurer of the Company from 1999 to January 2005.   |
| Barbara A. Murphy       | 61         | Senior Executive Vice President of the Company since January 2007. Chief Banking Officer of the Company since December 2006. Executive Vice President of the Company from June 2005 to January 2007. Chief Risk Officer of the Company from June 2005 to December 2006. Previously, Executive Vice President at Bank One in Chicago, Illinois and Columbus, Ohio from 1989 to 2004, serving in various banking leadership positions.                            |
| Caroline J. Ellspermann | 44         | Executive Vice President of the Company since December 2004, CEO of Old National Trust Company since October 2004 and President of Old National Wealth Management since June 2003. Senior Vice President of the Company and Manager of Old National Private Client Group from 2001 to June 2003.  |
| John R. Kamin           | 54         | Executive Vice President and Chief Information Officer of the Company since July of 2011. Previously, Senior Vice President at Wells Fargo in San Francisco, California, Charlotte, North Carolina and San Antonio, Texas from 2003 to 2011 acting in a variety of IT leadership positions.   |
| Jeffrey L. Knight       | 52         | Executive Vice President and Chief Legal Counsel of the Company since December 2004, and Senior Vice President of the Company from 2001 to 2004. Corporate Secretary of the Company since 1994 and General Counsel of the Company from 1993 to 2004.  |
| Daryl D. Moore          | 54         | Executive Vice President and Chief Credit Officer of the Company since January 2001 and Senior Vice President of the Company from 1996 to 2001.   |
| Candice J. Rickard      | 48         | Executive Vice President and Chief Risk Officer of the Company since December 2006. Senior Vice President and Corporate Controller of the Company from January 2005 to December 2006, Vice President and Corporate Controller of the Company from April 2002 to January 2005, Vice President and Financial Reporting Manager of the Company from December 2001 to April 2002, and Financial Reporting Manager of the Company from August 2001 to December 2001. |
| James C. Ryan, III      | 40         | Executive Vice President and Director of Corporate Development of the Company since July 2009. Senior Vice President and Integration Executive of the Company from December 2006 to July 2009. Senior Vice President and Treasurer of the Company from March 2005 to December 2006. Vice President at Wells Fargo Home Mortgage from July 2004 to March 2005, overseeing pricing in the finance group.  |

Table of Contents

## Item 2: Approval of Old National Bancorp Amended and Restated

### 2008 Incentive Compensation Plan

The second item to be acted upon at the Annual Meeting is the approval of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan (the Amended Plan), adopted on January 26, 2012 by the Company's Board of Directors (the Board). The Amended Plan is an amendment and restatement of the Old National Bancorp 2008 Incentive Compensation Plan (the Current Plan), which was approved by the Company's shareholders on May 15, 2008. The Board's adoption of the Incentive Plan is subject to approval by the shareholders at the Annual Meeting. If the Amended Plan is approved by shareholders, it will become effective on the day following the 2012 Annual Meeting. Outstanding awards under the Current Plan will continue in effect in accordance with their terms.

The primary purpose for adopting the Amended Plan is to add new performance measures that we may use for awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Shareholder approval of the Amended Plan is intended to constitute approval for purposes of the approval requirements of Section 162(m) of the Code, so that awards based on the attainment of performance goals using the performance measures set forth in the Amended Plan are eligible to qualify as performance-based compensation under Section 162(m) of the Code. If awards qualify as performance-based compensation under Section 162(m) of the Code, we may avoid the loss of tax deductions for compensation paid to certain officers of the Company. The Amended Plan includes other changes to its terms, which we describe below under the heading Summary of Material Changes.

We are not requesting to increase the number of shares available under the Amended Plan. The aggregate number of shares available under the Amended Plan will remain the number of shares authorized by our shareholders when the Current Plan was initially approved.

The Board believes that stock-based and other types of incentive compensation payable in stock and/or cash enable us to attract and retain talented employees and provide an incentive for those employees to increase our value. In addition, the Board believes stock ownership is important because it aligns our employees' interests with the interests of our shareholders.

The following summary of the material changes to the Amended Plan is qualified in its entirety by reference to the full text of the Amended Plan, which is set out in Appendix I to this Proxy Statement.

#### Summary of Material Changes

The Amended Plan includes the following key changes from the Current Plan:

**Service-Based Restricted Stock Units.** The Board added Service-Based Restricted Stock Units as an award type under the Amended Plan.

**Performance Targets and Performance Measures.** The Board added additional performance measures to be used for awards intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

**Repricing Provisions.** The Board strengthened the anti-repricing provisions.

**No Liberal Share Counting or Share Recycling.** The Board added provisions prohibiting liberal share-counting and share recycling.

**Minimum Vesting Periods.** The Board added provisions requiring minimum vesting periods for full-value awards, except for a basket equal to 10% of the aggregate number of shares available under the plan that are not subject to the minimum vesting requirements.



## **Table of Contents**

**Dividends/Dividend Equivalents.** The Board added language that makes the payment of dividends or dividend equivalents for performance-based awards contingent upon the achievement of the applicable performance targets.

**Change in Control.** The Board removed the automatic single-trigger acceleration upon a change in control.

### **Summary of Amended Plan**

The following summary of the material features of the Amended Plan is qualified in its entirety by reference to the full text of the Amended Plan, which is set out in Appendix I to this Proxy Statement.

### **Eligibility and Types of Awards**

The Compensation and Management Development Committee of the Board (the Compensation Committee), in its discretion, may grant an award under the Amended Plan to any employee of the Company or an affiliate. There are approximately 30 employees who are eligible to participate in the Amended Plan.

The Amended Plan provides for the following types of awards with respect to shares of the Company's common stock: incentive stock options, nonqualified stock options, restricted stock units, stock appreciation rights, restricted shares, unrestricted shares, and performance shares. The Compensation Committee may also grant performance units and short-term incentive awards as provided in the Amended Plan. The Amended Plan is designed to maximize the deductibility of nonqualified stock options and other awards under the Amended Plan, including short-term incentive awards to key executive employees, by structuring them to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Such awards will not be paid unless the shareholders approve the Amended Plan.

### **Common Shares Subject to the Amended Plan**

The Current Plan authorizes the issuance or transfer of an aggregate of 1,000,000 shares of common stock, no par value, plus any shares available under the Old National Bancorp 1999 Equity Incentive Plan (the 1999 Plan). The Current Plan also added any shares exchanged by a participant as payment of the exercise price of any option. However, the Amended Plan removed this provision, and shares used to pay the exercise price of an option will no longer be added back to the aggregate number of shares available.

As of March 2, 2012, 1,037,037 of the shares available under the Current Plan (including shares from the 1999 Plan) had been issued (not including outstanding awards), 3,819,198 shares were subject to outstanding awards and 3,782,310 shares are available for future awards under the Current Plan (including shares under the 1999 Plan). The Amended Plan does not increase the number of shares available under the Current Plan.

In the event of any stock split, stock dividend, spin-off, or other relevant change affecting the Company's common stock, the Compensation Committee may adjust the number of shares available for grants and the number of shares and price under outstanding grants made before the event, as provided in the Amended Plan.

---

## **Table of Contents**

### **Administration**

The Amended Plan will be administered by the Compensation Committee, which has broad discretionary authority under the Amended Plan. The Compensation Committee may delegate all or any part of its authority and powers under the Amended Plan to one or more directors or officers of the Company. However, the Compensation Committee may not delegate its authority and powers:

with respect to grants to persons covered by Section 16 of the Securities Exchange Act of 1934, in a way that would jeopardize the Plan's satisfaction of Rule 16b-3 of the Securities Exchange Act of 1934, or with respect to grants intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

### **Description of Award Types**

Subject to the limits imposed by the Amended Plan and described below, the Compensation Committee, in its discretion, may award any of the following types of awards to any employee: (i) incentive stock options, (ii) nonqualified stock options, (iii) stock appreciation rights, (iv) restricted shares, (v) unrestricted shares, (vi) performance shares, (vii) performance units, and (viii) restricted stock units. The Compensation Committee may also grant short-term incentive awards as provided in the Amended Plan to any key executive employee.

### **Limits on Awards**

The Compensation Committee may not grant awards to any employee under the Amended Plan during any three-year calendar year period that would result in the employee's being issued more than five hundred thousand (500,000) shares of the Company's common stock. The Compensation Committee will adjust this limit for stock splits, stock dividends, spin-offs, or other relevant changes affecting the Company's common stock to the same extent as it adjusts the number of shares available for grants and/or the number of shares and exercise price under outstanding grants as provided in the Amended Plan.

The Compensation Committee may not make cash awards to any employee under the Amended Plan during any three-year calendar year period that would total more than \$7,500,000.

### **Performance Targets and Performance Measures**

So that certain awards under the Amended Plan may be eligible to qualify as performance-based compensation for purposes of Internal Revenue Code Section 162(m), the Compensation Committee may condition awards on the achievement of certain objective performance targets ( Performance Targets ) established by the Compensation Committee during the first 90 days of the award's performance period. The performance measures used to establish the Performance Targets will be based on any of the factors listed below, alone or in combination, as determined by the Compensation Committee. Such factors may be applied on a corporate-wide or business-unit basis, include or exclude one or more of the Company's subsidiaries, may be in comparison with plan, budget, or prior performance, and/or may be on an absolute basis or in comparison with peer-group performance. Performance measures may differ from participant to participant and from award to award. The factors that may be used as performance measures will be one or more of the following: (1) interest income; (2) net interest income; (3) interest expense; (4) net interest margin; (5) non-interest income; (6) fee income; (7) revenues; (8) securities gains or losses; (9) other income; (10) deposits; (11) deposit growth; (12) deposit market share; (13) non-interest expense; (14) total expenses; (15) efficiency ratio; (16) credit quality; (17) non-performing assets; (18) net charge offs; (19) provision expense; (20) operating income; (21) budgeted margin (which is business unit income before taxes excluding intangible amortization and unallocated expenses); (22) net income; (23) earnings per share; (24) return on assets; (25) return on equity; (26) regulatory capital ratios; (27) stock price; (28) dividends; (29) total shareholder return; (30) productivity; (31) customer satisfaction; (32) employee diversity goals or employee turnover; (33) specified objective social goals; and (34) goals relating to acquisitions or divestitures of subsidiaries or business units.

## **Table of Contents**

### **No Liberal Share Counting/Recycling Provisions**

The Amended Plan prohibits liberal share counting by requiring that no shares tendered in payment of an option's exercise price may be added back into the aggregate share limit. The Amended Plan also provides that no shares withheld in satisfaction of tax withholding obligations may be added back into the aggregate share limit. The number of shares of common stock covered by a stock appreciation right, to the extent that it is exercised and settled in common stock, and whether or not shares are actually issued to a participant upon exercise of the stock appreciation right, will be considered issued or transferred. Lastly, in the event that the Company repurchases shares of common stock with option exercise proceeds, those shares will not be added to the aggregate plan limit.

### **Minimum Vesting Periods**

The Amended Plan provides for a one-year minimum vesting period for performance-based full value awards and a three-year minimum vesting period for time-based full value awards (which can vest in ratable tranches over the three-year period). Full value awards include grants of restricted stock, restricted stock units, performance shares and share grants. In addition, a basket of shares is reserved in the Amended Plan, in which 10% of the shares available under the Amended Plan can be used for awards that are not subject to the minimum vesting restrictions.

### **No Repricing**

The Company has never repriced underwater stock options or SARs, and repricing or replacement of underwater options and SARs is prohibited without shareholder approval under the Amended Plan, except in connection with certain corporate events or transactions described in the Amended Plan.

### **Stock Options**

The Compensation Committee may grant nonqualified options and/or incentive stock options. The Compensation Committee establishes the exercise price, which may not be less than 100% of the fair market value of the stock on the grant date. Options may not be re-priced without shareholder approval or in connection with certain corporate events or transactions described in the Amended Plan. The Compensation Committee establishes the vesting date and the term of the option, subject to a maximum term of 10 years. A participant may pay the option price in cash, or if permitted by the Compensation Committee, by cashless exercise through a broker, by a net exercise or by delivering previously-owned shares of Company stock having a fair market value equal to the option price. An award agreement for an option may provide that such option becomes exercisable in the event of the participant's death, disability or retirement or in connection with a change in control.

Additional limits and rules apply to incentive stock options. Thus, for example, the Compensation Committee may not grant an employee incentive stock options to the extent that it would result in the employee first being able to exercise incentive stock options to purchase shares with an aggregate fair market value (determined as of the grant date) of more than \$100,000 in any year.

As of March 2, 2012, the price for one share of common stock was \$11.84.

### **Stock Appreciation Rights (SARs)**

The Compensation Committee may grant stock appreciation rights (SARs). The value of SARs is based on the increase in the value of the Company's common stock from the grant date to the date on which the employee exercises the SAR. The Compensation Committee determines the vesting and exercise periods for each SAR. A SAR must expire not later than 10 years after the grant date. SARs may be granted in connection with or separate from option grants. An award agreement for a SAR may provide that such SAR becomes exercisable in the event of the participant's death, disability or retirement or in connection with a change in control.



## **Table of Contents**

### **Restricted Stock**

The Compensation Committee may grant restricted shares of Company stock. At the time of grant, the Compensation Committee will specify the period of restriction, the number of shares granted, and the conditions of the award. At the time of the award, the Compensation Committee will establish the period that must lapse and/or the performance targets that must be satisfied for the restrictions to lapse. In the case of performance-based restricted stock for an executive officer subject to Code Section 162(m), the Compensation Committee will base Performance Targets on one or more of the performance measures listed under Performance Targets and Performance Measures above. An award agreement for restricted stock may provide for the earlier termination of restrictions on such restricted stock in the event of the participant's death, disability or retirement or in connection with a change in control.

### **Performance Units/Shares**

The Compensation Committee may grant performance units and/or performance shares. In the case of performance shares or units for an executive officer subject to Code Section 162(m), the Compensation Committee will base Performance Targets on one or more of the performance measures listed under Performance Targets and Performance Measures above. Performance units and/or performance shares may be paid in the form of cash, shares, or a combination of cash and shares. An award agreement for performance shares or performance units may provide for the earlier lapse of restrictions or other modifications in the event of the participant's death, disability or retirement or in connection with a change in control.

### **Restricted Stock Units**

The Compensation Committee may grant restricted stock units. Restricted stock units will be evidenced by an award agreement containing such terms and provisions, consistent with the Amended Plan, as the Compensation Committee may approve. A grant of restricted stock units constitutes an agreement by the Company to deliver common shares or cash to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the restriction period as the Compensation Committee may specify. During the applicable restriction period, the participant will have no right to transfer any rights under his or her award, will have no rights of ownership in the common shares deliverable upon payment of the restricted stock units, and will have no right to vote the common shares. An award agreement for restricted stock units may provide for the earlier termination of restrictions on such restricted stock units in the event of the participant's death, disability or retirement or in connection with a change in control.

### **Share Grants**

The Compensation Committee may grant shares, without restrictions on the shares granted.

### **Dividends and Dividend Equivalents**

The Amended Plan specifies that dividends or dividend equivalents issued with respect to shares of common stock subject to performance-based awards will be deferred until and paid contingent upon the achievement of the applicable performance target.

### **Inclusion of Minimum Vesting Provisions.**

The Amended Plan generally provides for a minimum three-year vesting schedule for full value awards for employees and a one-year vesting schedule for non-employee directors. Additionally, full value awards contingent upon performance-based vesting will generally be subject to a minimum one-year performance measurement period. The Compensation Committee intends to continue to use a three-year pro-rata vesting schedule for options and a performance-based vesting schedule for restricted stock units.

## **Table of Contents**

### **Short-Term Incentive Awards**

The Compensation Committee may grant performance awards under the Company's short-term incentive program to key executive employees. Approximately 20 key executive employees are eligible to receive awards under the short-term incentive program. Such awards will be contingent on the achievement of Performance Targets based on one or more of the performance measures listed under "Performance Targets and Performance Measures" above. Short-term incentive awards may be paid in the form of cash, shares, or a combination of cash and shares, but may not exceed, for a calendar year, the lesser of (i) two times the executive officer's base salary for such year; or (ii) Two Million Five Hundred Thousand Dollars (\$2,500,000).

### **Change in Control**

The Amended Plan does not include a provision that accelerates vesting or exerciseability of awards upon a change in control. However, individual award agreements may provide for accelerated vesting or exerciseability in the event of a change in control.

### **Amendment and Termination**

The Board of Directors may amend, suspend, or terminate the Amended Plan at any time. Shareholder approval of an amendment will be required only to the extent necessary to satisfy applicable legal and regulatory agency rules.

### **Compliance with Section 409A of the Internal Revenue Code**

To the extent applicable, it is intended that the Amended Plan and any grants made thereunder comply with or be exempt from the provisions of Section 409A of the Internal Revenue Code so that the income inclusion provisions of Section 409A (a)(1) of the Code do not apply to the participants. The Amended Plan and any grants made under the Amended Plan will be administered in a manner consistent with this intent.

### **Federal Income Tax Consequences**

#### *Tax Consequences for the Employees*

The federal income tax consequences to an employee vary depending upon the type of award granted under the Amended Plan. Generally, there are no federal income tax consequences to the employee upon the grant or exercise of an incentive stock option. If the employee holds the shares purchased through the exercise of an incentive stock option for more than two years after the grant day and one year after the exercise date (required holding period), the employee will be eligible for capital gains treatment on any excess of the sales price over the option price upon selling the shares. However, if the employee sells the shares during the required holding period, he must recognize ordinary income on the date of sale equal to the difference between the option price and the fair market value of the shares on the exercise date. The balance of the employee's gain, if any, on the sale of the shares is subject to capital gains treatment.

The recipient of a non-qualified stock option realizes ordinary income upon exercising the option equal to the difference between the option price and the fair market value on the exercise date of the shares purchased. Upon the subsequent sale of any such shares by the recipient, any appreciation or depreciation in the value of the shares after the exercise date will be treated as a capital gain or loss for the recipient.

An employee generally does not recognize income from the grant of restricted shares until the restrictions on the shares lapse. Pursuant to Internal Revenue Code Section 83(b), an employee may elect to recognize income at the time of the grant, based on the value of the shares at that time. Any dividends on restricted shares paid to employees before the lapse of restrictions are taxable to the employee.

**Table of Contents**

An employee generally does not recognize income from the grant of restricted stock units until the restrictions on the restricted stock units lapse. At that time, the employee must recognize as ordinary income an amount equal to the fair market value of the shares underlying the restricted stock units. Any dividend equivalents paid to employees with respect to restricted stock units before the lapse of restrictions are taxable to the employee.

No income generally will be recognized upon the grant of performance shares or performance units. Upon payment in respect of the earn-out of performance shares or performance units, the recipient generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted common shares received.

In general, other awards under the Amended Plan are taxable to the employee and deductible by the Company at the time paid.

*Tax Consequences to the Company or Subsidiary*

To the extent that a participant recognizes ordinary income in the circumstances described above, the Company or the subsidiary for which the participant performs services will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Internal Revenue Code and is not disallowed by the \$1 million limitation on certain executive compensation under Section 162(m) of the Internal Revenue Code. In the case of grants of incentive stock options, the Company does not receive an income tax deduction, provided that the employee disposes of the shares after the required holding period.

**New Plan Benefits**

In connection with the adoption of the Amended Plan, subject to shareholder approval, the Company has made awards of short-term incentive cash opportunities to certain executive officers and employees under the Amended Plan. These awards will only be effective if the Amended Plan receives shareholder approval. General information about these awards is provided in the following table.

**New Plan Benefits**

| Name and Position                               | Dollar Value<br>(3)(\$) | Number of Units |
|---|-------------------------|-----------------|
| Robert G. Jones, President & CEO                | 487,500                 | 0               |
| Christopher A. Wolking, Chief Financial Officer | 146,710                 | 0               |
| Barbara A. Murphy, Chief Banking Officer        | 166,319                 | 0               |
| Daryl D. Moore, Chief Credit Officer            | 119,624                 | 0               |
| Jeffrey L. Knight, Chief Legal Counsel          | 114,455                 | 0               |
| Executive Group (1)                             | 2,322,567               | 0               |
| Non-Executive Officer Employee Group (2)        | —                       | —               |

- (1) This group includes all of the Company's current executive officers.
- (2) This group includes all of the Company's employees, including its officers who are not executive officers.
- (3) The dollar values included in this table are Target short term incentive cash opportunities under the Amended Plan.

**Table of Contents****Equity Compensation Plan Information**

The table below sets forth certain information with respect to our equity compensation plans as of December 31, 2011:

**Equity Compensation Plan Information**

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 4,663,413  | \$ 19.69   | 2,505,463  |
| Equity compensation plans not approved by security holders | —  | —  | —  |
| <b>Total</b>   | <b>4,663,413</b>   | <b>\$ 19.69</b>  | <b>2,505,463</b>   |

**Our Board unanimously recommends a vote FOR the proposal contained in Item 2 to approve and adopt the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan.**

**Compensation and Management Development Committee Matters**

The Board appoints the members of the Compensation and Management Development Committee ( Compensation Committee ). The Compensation Committee is currently composed of five non-employee Directors, each of whom is independent from management and the Company (as independence is currently defined in the NYSE's listing requirements and in the Company's Corporate Governance Guidelines). No member is eligible to participate in any management compensation program.

**Compensation and Management Development Committee Charter**

The Compensation Committee operates pursuant to a written charter. A copy of the Compensation Committee's charter is available on our web site, [www.oldnational.com](http://www.oldnational.com), under the Investor Relations/Corporate Governance link. As required by the charter, in early 2012 the Compensation Committee reviewed the charter and conducted an annual performance evaluation, the results of which have been discussed with the Compensation Committee members and shared with the Company's Corporate Governance and Nominating Committee.

**Compensation Consultant**

The Compensation Committee retained Pearl Meyer & Partners to provide information, analyses and advice regarding executive and Director compensation, as described further in this report. The Pearl Meyer & Partners consultant who performs these services reports directly to the Committee Chairman. With consent of the Committee Chairman, Pearl Meyer & Partners may, from time to time, contact the Company's executive officers for information necessary to fulfill its assignments and may make reports and presentations to and on behalf of the Committee that the executive officers also receive. All of the decisions with respect to determining the amount or form of executive and Director compensation under the Company's executive and Director compensation programs are made by the Committee and may reflect factors and considerations other than the information and advice provided by Pearl Meyer & Partners. To the extent that the outside consultant's work involves Director compensation, that work is shared with the Corporate Governance and Nominating Committee, which is responsible for reviewing and making recommendations to the Board regarding Director compensation and benefits.



## **Table of Contents**

### **Scope of Responsibilities**

The Compensation Committee is responsible for approving and evaluating the Company's employee compensation and benefit programs, ensuring the competitiveness of those programs, and advising the Board regarding the talent development and succession management of key executives of the Company. The Compensation Committee is responsible for annually reviewing, approving, and recommending to the Board for its approval all elements of the compensation of the Chief Executive Officer and other executive officers who report directly to the Chief Executive Officer. The Compensation Committee is also responsible for determining awards to employees of stock or stock options pursuant to the Company's 2008 Incentive Compensation Plan.

### **Compensation and Management Development Committee Interlocks and Insider Participation**

No member of the Compensation Committee is or was formerly an officer or employee of the Company. No executive officer of the Company currently serves or in the past year has served as a member of the compensation committee or board of Directors of another company of which an executive officer serves on the Compensation Committee. Nor does any executive officer of the Company serve or has in the past year served as a member of the compensation committee of another company of which an executive officer serves as a Director of the Company.

### **Assessing Risk in Compensation**

Our compensation programs do not use highly leveraged incentives that drive risky short-term behavior. The programs of the Company are focused on the long-term, and therefore the highest compensation can be earned through the achievement of consistent, quality earnings over an extended period of time. With the adoption of stock ownership requirements that require Company management to maintain a significant ownership level of stock, there is a strong incentive to ensure the Company is managed with a long-term view, and this helps to ensure that Company management avoids excessive risk taking in the short term. With the balance of compensation among annual salary, short-term incentive and long-term equity awards, no particular element of compensation is excessively weighted on a single performance measure.

In 2010, the Board adopted a Bonus Recoupment or Clawback Policy that provides the Board with authority to recover a bonus or other incentive payout paid to any Named Executive Officer or executive officer in appropriate circumstances where there has been a material restatement of the Company's financial results. The Board believes that this Policy, along with a requirement that executive officers maintain a significant level of stock ownership in the Company while they are employees, provides significant incentives to help ensure the Company is managed with a long-term view.

Our Compensation Committee reviewed the relationship between our risk management policies and practices and the incentive compensation provided to the Named Executive Officers at its January 20, 2011 meeting. After review with the Company's Chief Risk Officer and representatives of Pearl Meyer & Partners, the Committee determined that our incentive compensation programs do not encourage unnecessary and excessive risk taking.

### **Compensation and Management Development Committee Report**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Submitted by,

Members of the Compensation Committee

Niel C. Ellerbrook, Chairman

Joseph D. Barnette, Jr.

Larry E. Dunigan

James T. Morris

Marjorie Z. Soyugenc



---

**Table of Contents**

## **Executive Compensation**

### **Compensation Discussion and Analysis**

#### **Overview**

This Compensation Discussion and Analysis describes the key principles and approaches used to determine the compensation of our Chief Executive Officer, Chief Financial Officer, and our other three most highly compensated executive officers. Detailed information regarding the compensation of these executive officers, who are referred to as *Named Executive Officers* or *NEOs*, appears in the tables following this Compensation Discussion and Analysis. This discussion should be read in conjunction with those tables.

This Compensation Discussion and Analysis consists of the following parts:

*Executive Summary*  
*Review of 2011 Advisory Vote on Executive Compensation*  
*Responsibility for Executive Compensation Decisions*  
*Compensation Philosophy and Objectives*  
*Role of Executive Officers in Compensation Decisions*  
*Compensation Committee Procedures*  
*Setting Executive Compensation for 2011*  
*Changes in Executive Compensation in 2012*

#### **Executive Summary**

We seek to closely align the interests of our Named Executive Officers with the interests of our shareholders. Our compensation programs are designed to reward our Named Executive Officers for the achievement of short-term and long-term strategic and operational goals and the achievement of increased total shareholder return, while at the same time avoiding the encouragement of unnecessary or excessive risk-taking. Our Named Executive Officers' total compensation is comprised of a mix of base salary, annual cash incentive awards and long-term incentive awards paid in equity.

Despite a challenging economic environment, we significantly improved our operating performance during the last completed fiscal year. As more fully described in *Management's Discussion and Analysis of Financial Conditions and Results of Operations* in our Annual Report on Form 10-K, our fiscal 2011 financial results were significantly higher than fiscal 2010 results. Net interest income was \$272.9 million in 2011, a 24.9% increase from the \$218.4 million reported in 2010. Taxable equivalent net interest income was \$284.7 million in 2011, a 22.8% increase from the \$231.9 million reported in 2010. The net interest margin on a fully taxable equivalent basis was 3.87% for 2011, a 47 basis point increase compared to the 3.40% reported in 2010. The increase in both net interest income and net interest margin is primarily due to the two acquisitions the Company completed in 2011, combined with a change in the mix of interest earnings assets and interest-bearing liabilities. With respect to stock price performance, the Company finished 2011 in the top quartile of our peer group.

The key factors in determining compensation for 2011 included the following:

Due to the significant improvement in the financial performance of the Company in 2010 over 2009, the Compensation Committee determined to make base salary changes for certain Named Executive Officers in fiscal 2011.

The short term incentive plan was reinstated in July 2011 due to continued improvement in the financial performance of the Company. Net income was used as the key metric for our Named Executive Officers' annual cash incentive awards in 2011. This metric provided a method of measuring our short term growth and financial performance that was both reliable and aligned with how shareholders generally assess short term performance. The 2011 incentive plan provided a maximum incentive opportunity equal to 50% of full year target. Each of the Named Executive Officers, including the CEO, received a maximum available payment under the plan adopted by the Board for 2011.





## **Table of Contents**

Long-term incentive compensation continues to make up a significant portion of the compensation for each of our Named Executive Officers, comprised of equity awards which have value that is closely linked to the Company's shareholder returns, along with EPS and net charge-off ratios.

We believe that our compensation program builds upon the Company's compensation governance framework and our overall pay-for-performance philosophy, which are demonstrated by the following:

At this meeting, the Board is proposing the adoption of an Amended and Restated Old National Bancorp 2008 Incentive Compensation Plan which includes several key changes that the Board feels will better align our Named Executive Officers' interests with the interests of our shareholders. The changes are more fully discussed beginning on page 24 in this Proxy Statement.

We amended all employment agreements in early 2011 to:

Eliminate tax gross-ups on severance benefits;

Eliminate tax gross-ups on perquisites;

Eliminate the ability of executives to voluntarily terminate their employment within 12 months of a change in control and be entitled to severance benefits; and

Provide only pro-rata acceleration of performance-based equity awards upon a change in control contingent on actual company performance.

We award a significant portion of our long-term incentive compensation in the form of performance-based restricted stock, which vests over a three-year period only upon the achievement of specific goals for EPS, net charge-off ratio and total shareholder return. (In 2011, we used a one-year measurement period for the internal (absolute) performance award). With a three-year vesting period, we hope to more closely align our Named Executive Officers' incentives with the long-term interests of shareholders.

We have a Bonus Recoupment or Clawback Policy which provides our Board with authority to recover a bonus or other incentive payout paid to any executive officer, including the Named Executive Officers, in the event there is a material restatement of the Company's financial results.

For those Named Executive Officers covered under the Defined Benefit Pension Plan, we provide supplemental benefits only to the extent that there have been reductions in benefits due to limitations under the Internal Revenue Code.

We maintain rigorous stock ownership guidelines which are set forth on page 47 of this proxy statement.

We maintain a policy that prohibits our Directors, Named Executive Officers, and other key executive officers from hedging the economic interest in the Company securities that they hold.

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

We have a policy relating to our Company stock that prohibits Company personnel, including the Named Executive Officers, from engaging in any short-term, speculative securities transactions, including purchasing securities on margin, engaging in short sales, buying or selling put or call options, and trading in options (other than those granted by the Company).

We consider internal pay equity analyses when making compensation determinations with regard to the Named Executive Officers.

## **Table of Contents**

The Compensation Committee uses tally sheets that provide information as to all compensation that is potentially available to our Named Executive Officers.

The Compensation Committee engages an independent compensation consultant that does not provide any services to management.

We have a strong risk management program, which includes our Compensation Committee's oversight of the ongoing evaluation of the relationship between our compensation programs and risk.

We encourage you to read this Compensation Discussion and Analysis for a detailed discussion and analysis of our executive compensation program, including information about the fiscal 2011 compensation of the Named Executive Officers.

## **Review of 2011 Advisory Vote on Executive Compensation**

At our 2011 Annual Meeting, our shareholders had the opportunity to provide an advisory vote on the compensation paid to our Named Executive Officers, or a say-on-pay vote. Over 92% of the votes cast by our shareholders were in favor of the compensation provided to our Named Executive Officers. Accordingly, the Compensation Committee generally believes that such results affirmed shareholder support of our approach to executive compensation and did not believe it was necessary to, and therefore did not make, any significant changes to our executive officer compensation program solely in response to the vote. In addition, in recognition of the shareholders' majority preference, the Compensation Committee recommended and the Board approved an annual non-binding say-on-pay vote, so that any shareholder concerns about executive pay can be acknowledged and considered in the most timely manner.

## **Responsibility for Executive Compensation Program**

Subject to full Board approval, the Compensation Committee of our Board is responsible for establishing and implementing our general executive compensation philosophy and determining the compensation for all of our executive officers reporting directly to the Chief Executive Officer, including our Named Executive Officers. The Compensation Committee's charter permits the Compensation Committee to delegate authority to subcommittees. In 2011, the Compensation Committee made no delegation of its authority over compensation matters relating to our Named Executive Officers.

## **Compensation Philosophy and Objectives**

Through our compensation program for executive officers, we strive to attract and retain superior executives in a highly competitive environment and provide financial incentives that align our executive officers' interests with those of our shareholders. The Compensation Committee believes that the primary components of each executive officer's compensation should be a competitive base salary and incentive compensation that rewards the achievement of annual and long-term objective performance goals. The Compensation Committee also believes stock ownership is important because it aligns our executives' interests with the interests of our shareholders. Thus, equity compensation represents a significant element of each executive officer's potential compensation.

The Company believes that it is important to maintain consistency in our compensation philosophy and objectives, although it is sometimes necessary to adjust certain programs as economic and business conditions change. Even though value creating performance by the executive officers of the Company does not always translate into an immediate appreciation in the Company's stock price or net income performance, the Board believes that executive management made substantial progress in 2011 in managing the Company, compared to other companies in the financial services industry. In 2011, the Company experienced a significant improvement in net interest income increasing 24.9% over 2010. Net interest income is the most significant component of the Company's earnings, comprising over 59% of 2011 revenues. The improvement in net interest income was

**Table of Contents**

primarily driven by the Company completing two acquisitions in 2011 and focusing on controlling expenses and actively managing credit quality which allowed for a decrease in the provision for loan losses. The Board intends to continue to reward management performance with cash and equity compensation based on a philosophy and belief that the strong operating fundamentals in the Company will be reflected in earnings growth and eventual stock price appreciation. It is in this context that certain actions were taken by the Board to reward executive management for 2011 performance and to establish incentive goals for 2012.

**Role of Executive Officers in Compensation Decisions**

The Compensation Committee reviews, approves, and recommends to our full Board each element of compensation for each executive officer reporting directly to the Chief Executive Officer, including all Named Executive Officers. The Compensation Committee considers the recommendations of the Chief Executive Officer in determining the base salary, annual incentive compensation and long-term incentive awards for each of the executive officers of the Company other than the Chief Executive Officer, but ultimately the Committee makes all determinations in its discretion as to final pay outcomes. Together with the Compensation Committee, our Chief Executive Officer annually reviews the performance of each of our other executive officers, the compensation of each executive officer, including base salary, annual incentive compensation and long-term incentive awards and makes recommendations to the Compensation Committee regarding the compensation of those officers for the following year. The Compensation Committee Chairman annually reviews our Chief Executive Officer's compensation with representatives from Pearl Meyer & Partners (in conjunction with an annual performance review lead by the Company's non-executive Chairman) and makes recommendations to the Compensation Committee regarding the Chief Executive Officer's compensation for the following year. The Chief Executive Officer is not involved in the final determination regarding his own compensation, and all decisions with respect to the Chief Executive Officer's compensation are made in executive session of the Compensation Committee, without the Chief Executive Officer present.

**Committee Procedures**

The Compensation Committee engaged Pearl Meyer & Partners ( PM&P ) in 2010, a nationally recognized compensation consulting firm, to assist it in evaluating our executive compensation structure and expenses. Mercer had fulfilled this function since 2003. However, the Compensation Committee requested proposals from various firms in 2010 and elected to retain PM&P to assist the Compensation Committee in evaluating the executive compensation program for 2011. For 2011, PM&P:

assessed the competitiveness of our compensation packages for executive officers;

analyzed our business performance over one-year and three-year periods; and

evaluated the relationship between executive officer pay and our performance.

In examining our business performance, PM&P focused on:

|  |                            |
|--|----------------------------|
| growth in fully-diluted earnings per share ( EPS ) | book value per share       |
| net income growth                                  | net interest margin        |
| return on average equity                           | non-interest income growth |
| return on average assets                           | deposit growth             |
| revenue per share growth                           | asset growth               |
| non-performing loans ratio                         | net charge-off ratio       |

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

total shareholder return

market/book ratio

In evaluating the competitiveness of our compensation levels for Named Executive Officers and other members of management, PM&P gathers pay and performance data from a peer group of publicly-traded financial services companies that includes a broad representation of regional banks within the Company's region

**Table of Contents**

of operation and which are similar in asset size to the Company. PM&P selects the peer group with input from the Compensation Committee. The Compensation Committee considers the peer group data when evaluating the compensation for all of the Named Executive Officers. The composition of the peer group may be amended from year to year to take account of mergers, acquisitions, and other changes that make a company more or less appropriate for inclusion. The Compensation Committee has at times removed companies from the peer group because the companies' asset sizes were deemed by the Compensation Committee to not be representative of the other companies in the group and in excess of the Company's asset size. The median asset size of the peer group is now more closely reflective of the Company at approximately \$9 billion. Under SEC disclosure rules, companies generally limit executive compensation disclosure to their most highly compensated executive officers. To determine competitive pay for these positions, PM&P uses data from publicly-filed documents as well as data from its proprietary market surveys. For the remaining executives, PM&P uses data from its proprietary market surveys only. The market surveys include a broader range of companies and do not provide company-specific information. The survey data is used as a general reference and is one of a number of factors considered in determining where pay is actually set.

For 2011 compensation decisions, our publicly-traded peer group consisted of the following 32 companies which have asset sizes ranging from \$4.0 billion to \$18.1 billion:

|                                    |                                   |                                |
|------------------------------------|-----------------------------------|--------------------------------|
| 1 <sup>st</sup> Source Corporation | First Merchants Corporation       | S&T Bancorp, Inc.              |
| BancFirst Corporation              | First Midwest Bancorp, Inc.       | Susquehanna Bancshares, Inc    |
| BancorpSouth, Inc.                 | FirstMerit Corporation            | Sterling Bancshares            |
| Bank of Hawaii Corporation         | Glacier Bancorp, Inc.             | Trustmark Corporation          |
| Chemical Financial Corporation     | Hancock Holding Company           | UMB Financial Corporation      |
| Commerce Bancshares, Inc.          | Heartland Financial USA, Inc.     | United Bankshares, Inc.        |
| Cullen/Frost Bankers, Inc.         | IBERIABANK Corporation            | Valley National Bancorp        |
| F.N.B. Corp.                       | MB Financial, Inc.                | WesBanco, Inc.                 |
| First Commonwealth Financial Corp. | Park National Corp.               | Whitney Holding Corp           |
| First Financial Bancorp            | Pinnacle Financial Partners, Inc. | Wintrust Financial Corporation |
| First Interstate BancSystem, Inc.  | Prosperity Bancshares, Inc.       |                                |

PM&P has agreed that this peer group continued to be appropriate for the Company's pay and performance benchmarking for 2011.

In making its recommendation to the Compensation Committee regarding executive officer compensation, PM&P reviews the compensation practices and performance of the peer companies and discusses our performance and strategic objectives with our Chief Executive Officer, Chief Financial Officer, Chief Human Resources Officer and Chief Risk Officer. Before the beginning of each fiscal year, PM&P provides the Compensation Committee with a detailed written report regarding our executive compensation structure, its competitiveness relative to the peer group companies, and the alignment of our executive pay with the Company's performance.

In preparation for the evaluation of 2011 compensation and development of the written report, PM&P reviewed the business performance of Old National and the peer companies over one-year and three-year periods through the end of 2009, as well as projected results for 2010 and evaluated the alignment of pay and performance.

PM&P noted that Old National's 2009 business performance and 2010 year-to-date results were below the median of the peers. Using an unweighted average of the performance measures, 2009 business performance was at 33<sup>rd</sup> percentile and 2010 performance was at 31<sup>st</sup> percentile by the end of the third quarter as compared to peers. PM&P reviewed the same performance measures for the three year periods through 2009 and through the third quarter of 2010. Performance for the three-year period compared to peers was at 29<sup>th</sup> percentile and 31<sup>st</sup> percentile, respectively.

As part of its written report, PM&P reported that Old National's targeted compensation levels were below the relevant market benchmarks, primarily due to low salaries for certain executives. Incentive opportunities (both annual and long-term) were below the market due to the fact there was a small (25% of

## **Table of Contents**

target) annual incentive payout for 2009 to the Named Executive Officers, except for the CEO. PM&P noted that actual base compensation levels approximated median market values. Actual total cash compensation was below the market median, and long-term incentives (based on expected values of awards when granted) were below the market median. Total direct compensation was also below the median.

PM&P's review evaluates overall compensation as well as each significant component of compensation. It evaluates whether the compensation structure continues to provide the appropriate incentives and alignment of executive officers' interests with those of our shareholders. PM&P meets with the Compensation Committee to discuss its written report, answer questions, and discuss issues that require further study.

The Compensation Committee considers the information provided by PM&P, including compensation reports and PM&P's recommended best practices as a baseline for establishing targeted total compensation, principal compensation components, and determining the allocation of total potential compensation components for each Named Executive Officer and other executives in the Company. In general, we seek to establish total compensation, base salaries, annual incentive compensation, and long-term equity incentive compensation for each position at or near the median for the peer group, if targeted performance is achieved and at or near the 75% percentile of the peer group, if exceptional performance is achieved. The Compensation Committee also seeks to allocate potential total compensation among base salary, annual incentive compensation, and longer-term incentive compensation in proportions that reflect peer group averages.

### **Executive Compensation for 2011**

***Components of Compensation.*** In establishing the 2011 compensation for our executive officers, the Compensation Committee:

- analyzed the compensation levels of comparable executive officers in the peer group;
- determined a mix of base salary and cash incentive opportunity, along with an equity position to align our executive officers' compensation with our performance and leadership accomplishments;
- assessed our executive officers' performance; and
- assessed our financial and business results relative to other companies within the banking industry as well as to our own past performance and financial goals.

The principal components of each executive officer's compensation used by the Compensation Committee to reward, align and retain our named executives are:

- base salary;
- annual incentive compensation; and
- long-term equity incentive compensation.

In general, we strive to target the percentage that each of these components bears to the total compensation for our executive officer group as a whole, assuming the achievement of targeted performance, to approximately the corresponding percentages for the peer group.



**Table of Contents**

According to PM&P's report, the following chart represents each element of compensation and the corresponding percentage of total compensation represented by each element for our peer group for the Named Executive Officers' compensation for 2011:

The Company's allocation for 2011 for the Chief Executive Officer and the other Named Executive Officers was:

The actual mix of these components for each individual executive officer varies, depending on our evaluation of the executive officer's responsibilities, the percentage of the executive officer's compensation that should be at risk, and the reasonable potential compensation in light of that risk. Additionally, the pay mix data set forth in the above chart for the Named Executive Officers other than the Chief Executive Officer is represented in the aggregate as each Named Executive Officer does not have the same pay mix.

**Table of Contents**

The only elements of our executive officers' compensation that we pay in cash are base salary and annual incentive compensation. For 2011, we paid the following cash compensation to our Named Executive Officers:

| Names                                  | Year | Annual      |                            | Total Cash Compensation |
|--|------|-------------|----------------------------|-------------------------|
|  |      | Base Salary | Incentive Compensation (1) |                         |
|  |      | (\$)        | (\$)                       | (\$)                    |
| Robert G. Jones                        | 2011 | 650,000     | 243,750                    | 893,750                 |
| President and Chief Executive Officer  |      |             |                            |                         |
| Christopher A. Wolking                 | 2011 | 313,770     | 70,598                     | 384,368                 |
| Senior EVP and Chief Financial Officer |      |             |                            |                         |
| Barbara A. Murphy                      | 2011 | 355,154     | 79,910                     | 435,064                 |
| Senior EVP and Chief Banking Officer   |      |             |                            |                         |
| Daryl D. Moore                         | 2011 | 299,059     | 59,812                     | 358,871                 |
| EVP and Chief Credit Officer           |      |             |                            |                         |
| Jeffrey L. Knight                      | 2011 | 271,731     | 54,346                     | 326,077                 |
| EVP and Chief Legal Counsel            |      |             |                            |                         |

(1) The Annual Incentive Compensation was earned in 2011 but paid on February 29, 2012.

**Base Salary.** Base salary is the only component of compensation that is not subject to the achievement of performance or vesting criteria. Base salary is designed to provide a fixed level of cash compensation for performing day-to-day responsibilities. We establish base salary ranges for each position based on the ranges for similar positions at other peer group companies. In general, we target base salary ranges near the median for the peer group. We review base salaries annually and we adjust them in April of each year to take into account such factors as market changes, changes in duties, individual performance, and experience.

In assessing Mr. Jones' performance for 2011, the Compensation Committee considered the role Mr. Jones played in selecting and leading the management team in its 2010 strategic, operational, and financial performance. The Compensation Committee attributed the Company's success to Mr. Jones' leadership skills both within the Company and as a leader in the banking industry. However, given the difficult banking industry and general economic environment, Mr. Jones proposed, and the Compensation Committee agreed, that he would not receive a salary increase for 2011.

In assessing the performance of the Named Executive Officers other than the Chief Executive Officer, Mr. Jones considered their contributions to the strategic, operational and financial performance of the Company in 2010. Mr. Jones proposed, and the Compensation Committee agreed,

to provide salary increases to the other Named Executive Officers for 2011, with the exception of Mr. Moore. Each of the Named Executive Officers met or exceeded Mr. Jones' expectations in 2010 and salary adjustments were given to each of the Named Executive Officers whose salaries were below the target percentile in the range of comparable positions in the Company's peer group. Mr. Moore declined a salary increase due to the fact his salary was already within the targeted range for comparable positions within the Company's peer group.

***Annual Incentive Compensation.*** Our practice is to award cash incentive awards based on our achievement of pre-established objective performance goals. The objective of awarding annual incentive compensation is to reward short-term financial and operational performance. The Short Term Incentive Plan, which was approved by shareholders in 2008, is intended to be our primary vehicle for awarding such incentives. The Short Term Incentive Plan does not preclude us from making discretionary bonus payments or special

---

**Table of Contents**

awards to Short Term Incentive Plan participants outside of the Short Term Incentive Plan. For 2011, the annual incentive compensation paid to our Named Executive Officers for 2011 was determined outside of the terms of the Short Term Incentive Plan. However, because the terms of the Plan played an important role in the Compensation Committee's determination of the annual incentive opportunity, and because our present intention is to use the Short Term Incentive Plan as the basis for annual incentive compensation in fiscal 2012, we think it is appropriate to review the provisions of that Plan in order to provide context for the decisions relating to 2011 short term incentive compensation.

The amount of cash incentive payments under the Short Term Incentive Plan is based entirely on the achievement of the established performance goals. These payout levels are determined by the Compensation Committee after reviewing peer and survey data provided by PM&P. The percentage payout levels are consistent with the payout levels paid to similarly situated executives within the Company's peer group.

In practice, the Compensation Committee makes recommendations that the Board then approves or adjusts. Performance measures permitted under the Short Term Incentive Plan include:

- return on assets;
- return on equity;
- net income;
- total shareholder equity;
- operating income;
- earnings per share;
- total risk-adjusted revenue; and
- total shareholder return.

The Compensation Committee has historically used earnings per share as the performance measure for awards under the Short Term Incentive Plan, and used net income in 2011 as the performance measure for the annual incentive awards that it made with respect to 2011. The Committee believes that net income and earnings per share are useful and reliable methods of measuring our short-term growth and financial performance, and that these measures are aligned with how shareholders generally assess short-term financial performance.

Under the Short Term Incentive Plan, the Compensation Committee typically establishes quantitative performance goals and award opportunities for each fiscal year prior to March 31 of that year. The Committee did not establish those goals or grant award opportunities under the Short Term Incentive Plan for 2011 prior to that time, principally because no such award opportunities had been made in 2010 due to the extraordinary conditions in the financial institutions market, and management did not include a recommendation for such an award in the fiscal 2011 budget.

As 2011 progressed, it became apparent to management and the Compensation Committee that there was the potential for significant improvement in the Company's financial performance, and that some short term incentive award was advisable in order to provide incentives to the Named Executive Officers to maximize the Company's financial results during 2011. In fiscal 2009, the Compensation Committee awarded discretionary bonuses to certain Named Executive Officers, but determined that it was preferable to make awards for 2011 that were based on objective performance criteria.

Accordingly, in July 2011 the Compensation Committee and Board adopted management's recommendation to institute an incentive plan for 2011. The purpose of the plan was to reward employees for 2011 net income which was in excess of budget, and as a result, no payouts would be made to any Named Executive Officer unless budgeted levels of net income were achieved. The budgeted net income for 2011 was \$47.7 million.

The Compensation Committee established the potential payouts to each Named Executive Officer by reference to the target incentive payouts that it had used in prior years under the Short Term Incentive Plan. Under that plan, the target incentive payout for the Chief Executive Officer historically has been 75% of base salary. The target incentive payout for the Chief Financial Officer and Chief Banking Officer historically has

## Table of Contents

been 45% of base salary, and the target incentive payout for the other Named Executive Officers historically has been 40% of base salary. The maximum payout under the Short Term Incentive Plan is 200% of the Target Incentive Payout. Reflecting the fact that two quarters of the fiscal year had been completed before the 2011 award opportunities were established, the Compensation Committee determined to provide significantly reduced award opportunities than would have been available under the traditional terms of the Short Term Incentive Plan. For 2011, a payout of 25% of the target incentive payout would be made to the Named Executive Officers upon the achievement of budget, and a maximum payout of 50% of the full-year target incentive opportunity would be made to the Named Executive Officers upon the achievement of 121% of budget.

The net income of the Company in 2011 was \$72.4 million, in excess of 121% of the budget provided for in the 2011 Incentive Plan. Accordingly, each of the Named Executive Officers earned a bonus under the 2011 Incentive Plan of 50% of full-year target under the Compensation Committee guidelines for payouts to the Named Executive Officers.

**Long-Term Incentive Compensation.** We believe that stock ownership by our executive officers is an important tool for aligning their interests with those of our shareholders over the long-term. Therefore, our long-term incentive compensation consists entirely of equity compensation awards. The 2008 Incentive Compensation Plan, which was approved by shareholders in 2008, is our primary vehicle for providing equity compensation.

In 2011, the award mix for the Chief Executive Officer under the 2008 Incentive Compensation Plan consisted of 100% performance-based restricted stock units.

The awards for the Named Executive Officers (other than the Chief Executive Officer) under the 2008 Incentive Compensation Plan consisted of a combination of:

- 50% performance-based restricted stock units; and
- 50% service-based restricted stock.

Each of these forms of award encourages executives to use their best efforts to increase the value of our stock, since the value of the awards increases with the value of our stock. In addition, because an executive officer's right to an award generally vests over time, such awards provide a valuable retention tool.

Our practice is to determine the dollar amount of equity compensation that we want to provide, based on consultation with the compensation consultant who advises the Compensation Committee concerning current market practices. In general, we seek to pay equity incentive compensation that approximates the median for our peer group, if targeted performance is achieved and the 75<sup>th</sup> percentile for our peer group, if maximum performance is achieved. In recommending equity compensation awards for an executive, the Compensation Committee considers previously granted but non-vested awards, but it does not generally consider equity ownership or previously vested awards. The Compensation Committee typically makes recommendations regarding equity compensation awards at its first meeting in January, depending upon the availability of the financial results for the preceding year. Typically, these awards are then approved or adjusted by the Board at its next meeting. We make the awards as early as practicable in the year and communicate them to executive officers so that the incentives will be known as early as practicable, thereby maximizing their potential impact. We make equity awards after financial data for the preceding year is available, because this information enables us to refine our expectations for the current year. The proximity of any awards to earnings announcements or other market events is coincidental. Under special circumstances, such as the employment of a new executive or substantial promotion of an existing executive, the Compensation Committee may award equity compensation at other times during the year. The Compensation Committee did not make any special grants of equity incentive compensation to any Named Executive Officer in 2011.

On January 27, 2011, we granted performance-based restricted stock units and service-based restricted stock to the Named Executive Officers (with the exception of the Chief Executive Officer who only received performance-based restricted stock units) pursuant to our 2008 Incentive Compensation Plan. These awards are reflected on the Table on page 52 entitled "Grants of Plan-Based Awards During 2011." The Compensation

## Table of Contents

Committee and Board, in order to align the Chief Executive Officer's incentive compensation directly with shareholder interests and to place 100% of his equity compensation at risk, determined that his equity compensation should consist of performance-based restricted stock units with no service-based component.

The portions of the total potential equity award represented by each type of award generally reflected the allocation of such types among our peer group. The Compensation Committee awarded the right to earn shares to the Named Executive Officers and certain other executives based on the performance of the Company in 2011. The awards differed for each of the Named Executive Officers and they were determined by the Compensation Committee, according to each officer's salary level and based on competitive survey data provided by PM&P. The awards were not based on individual performance.

**Performance-Based Restricted Stock Units.** The Compensation Committee continued the use of restricted stock units in 2011 because the use of restricted stock units simplifies the administration of the performance awards, as shares are not actually granted until the end of the performance period and dividends are not paid on the units until the units vest into earned shares. In general, our executive officers will not earn performance-based restricted stock units unless we meet pre-established objective performance criteria for the performance period, and the executive officer remains employed throughout the required service period.

In 2011, the CEO's performance-based restricted stock unit awards were allocated as follows:

31.25% of the award was based on the internal measure of EPS and net-charge off ratio and based on 2011 performance only;

68.75% of the award was based on an external measure of total shareholder return measured over a three-year performance period ending December 31, 2013.

The performance-based restricted stock unit awards for the Named Executive Officers (except for the CEO) were allocated as follows:

50% of the award was based on internal measures of EPS and net charge-off ratio and based on 2011 performance only;

50% of the award was based on an external measure of Total Shareholder Return measured over a three-year performance period ending December 31, 2013.

The Named Executive Officers must be employed by the Company through the distribution date, which would be after December 31, 2013 and before March 31, 2014, in order to be entitled to receive a distribution of any earned 2011 internal or external measure awards.

The financial factors used and the weighting attached to each factor (in parentheses) for the internal measure awards (2011 measurement period only) were:

EPS (50%);

net charge-off ratio (50%).

For each factor, we have established minimum, target and maximum performance levels. The weighted average performance level will determine the percentage of shares for which restrictions will lapse. If target is achieved, restrictions will lapse on all of the shares awarded. If maximum performance is achieved, the number of shares awarded will double.

We define EPS as GAAP EPS, disregarding, however, extraordinary items and non-recurring charges, both as determined under GAAP, recognized in a period after the quarter ending December 31, 2010. The threshold EPS was \$.36, and the target and maximum was \$.52 for 2011 performance. The actual result for 2011 was \$.76, resulting in a 100% payout for the EPS component of the 2011 award.



## **Table of Contents**

For the 2011 internal measure award we defined net charge-off ratio as the net charge-offs to average loans for 2011 only. The minimum net charge-off ratio for 2011 was .92% and the target and maximum was .69%. The actual result for 2011 was .49%, resulting in an 82% payout for the net charge-off component of the 2011 award.

Combining the results for the EPS and net charge-offs in 2011, the actual payout for the 2011 performance only award was 182%. The 2011 award is subject to two years of service vesting.

Total shareholder return is our only external relative measure for determining performance-based units earned. We define total shareholder return which is measured against the peer group for the three-year measurement period as the three-month average stock price for the period ending December 31, 2010 compared to the three-month average stock price for the period ending December 31, 2013 for the Company and the Peer Group. The three-month average stock price will be determined by averaging the closing stock price of each day during the three months ending on the applicable December 31, including adjustments for cash and stock dividends. This measure was chosen because the committee believes it correlates to shareholder value creation over time.

The performance-based restricted stock units must be held until the stock ownership guidelines are met. Dividends earned on vested shares are paid in stock and are accumulated during the performance period and are paid on the shares that actually vest to the executive.

If an executive officer's employment is terminated on account of death, the target performance criteria will be deemed satisfied, and restrictions on the shares will lapse. If the executive officer terminates employment on account of disability or retirement, the executive officer will be treated the same as if he or she had continued employment. If there is a change in control, then performance-based restricted stock awarded to the Named Executive Officers will vest upon the closing date on a pro-rated basis as determined by the performance of the Company on the closing date.

**Service-Based Restricted Stock.** Service-based restricted stock is not contingent on our business performance. In general, with the exception of dividends, an executive officer will not realize value for service-based restricted stock, unless he or she remains employed during the required service period. If an executive officer terminates employment on account of death, or terminates without cause or good reason following a change in control of the Company, restrictions on the stock will lapse. If the executive officer terminates employment on account of disability or retirement, he or she will be treated the same as if he or she had continued employment. The service-based restricted stock granted in 2011 will vest in three approximately equal annual installments over a three-year period ending on February 1, 2014. We pay cash dividends on service-based restricted stock to our executive officers, even if the stock remains subject to restrictions. The service-based restricted stock must be held by the Named Executive Officer until the stock ownership guidelines are met.

In 2011, the Compensation Committee maintained the 2010 awarded percentage of long-term incentive awards allocated to service-based restricted stock (except for the Chief Executive Officer) due to the extraordinary economic environment and the need to ensure the retention of key executive officers in the Company.

**Retirement Plans.** Until December 31, 2005, we maintained a traditional qualified defined benefit pension plan, known as the Old National Bancorp Employees Retirement Plan ( Retirement Plan ). We froze the Retirement Plan as of December 31, 2001, except for employees who were at least age 50 or who had 20 years of credited service as of December 31, 2001. As of December 31, 2005, we froze the Retirement Plan for all remaining employees. We also maintained a nonqualified retirement plan to replace any reduction in benefits under the Retirement Plan due to limitations on benefits under the Internal Revenue Code ( Supplemental Plan ). We also froze the Supplemental Plan as of December 31, 2005. No executive officer will earn further benefits under the Retirement Plan or the Supplemental Plan after 2005, although benefits as of December 31, 2005, are preserved.



**Table of Contents**

We continue to maintain a tax-qualified defined contribution plan, known as the Old National Bancorp Employee Stock Ownership and Savings Plan ( Savings Plan ), for eligible employees. The Savings Plan allows employees to make pre-tax 401(k) contributions. Subject to the conditions and limitations of the Plan, an employee will be eligible to become a participant of the plan on the first day of the month after completing one month of service. All active participants will be eligible to receive a match of fifty cents on the dollar up to the first 6% of eligible compensation that is contributed to the plan. We may also make profit sharing contributions, in our discretion. To receive profit sharing contributions for a year, an employee must have (i) completed at least 1,000 hours of service during the year and (ii) been employed on the last day of the year or retired on or after age 65, died, or became disabled during the year.

We also maintain a nonqualified deferred compensation plan, known as the Executive Deferred Compensation Plan, for a select group of management employees designated by the Compensation Committee, including our executive officers. All executive officers are eligible to participate in the plan. An executive officer may elect to defer up to 25% of his or her regular compensation, and up to 75% of his or her annual bonus under the Short Term Incentive Plan, in which case the deferral amount will be credited to his or her plan account. The Executive Deferred Compensation Plan applies the same matching formula that is used for the Savings Plan. We provide matching contribution credits under the plan, reduced by any matching contributions under the Savings Plan. In addition, we may provide discretionary contribution credits to make up for any reduction in discretionary profit sharing contributions under the Savings Plan due to Internal Revenue Code contribution limits applicable to tax-qualified retirement plans. We did not provide discretionary credits for 2011.

We credit an executive officer's plan account with earnings based on the hypothetical earnings of an investment fund consisting of Company stock, the return on a recognized market index selected by the Compensation Committee, or a combination of the two, as elected by the executive officer. For the market index fund, we use a Bloomberg fund index, which approximates the risk and return associated with a diversified high quality corporate bond. The earnings credit under the Executive Deferred Compensation Plan could be in excess of earnings that would have been credited using the applicable federal long-term rate. Any excess earnings are reported in column (h) of the Summary Compensation Table on page 50.

All amounts paid under the nonqualified deferred compensation plan are paid from our general assets and are subject to the claims of our creditors. Except in the case of financial emergency, an executive officer's benefits under the plan may not be distributed until after termination of employment. In general, an executive officer may elect to receive his plan benefits in a lump sum or in annual installments over two to ten years.

**Employment Arrangements** We have entered into employment agreements with each of the Named Executive Officers with the exception of Jeffrey L. Knight, who has an Amended Severance and Change of Control Agreement (referred to collectively as employment agreement(s) or agreements ). The employment agreements were amended effective January 1, 2011 to provide for:

**No Gross-up on Severance Benefits** The Company has adopted a best after-tax provision whereby the executive receives the full 280G payment and has the responsibility for any excise tax, or the payment is reduced to the safe harbor amount, whichever will put the executive in the best after-tax position with the most compensation and income.

**No Gross-up on Perquisites** There will be a continuation of coverage to be provided by the Company for the requisite number of months. However, any tax resulting from these payments will be the executive's responsibility.

**No Walk Away Provision** The Company has eliminated the ability of the executive to voluntarily terminate his employment within 12 months of a Change in Control without good reason. The executive will continue to have the right to terminate within 24 months of a Change in Control with good reason and receive a severance and other benefits.

---

**Table of Contents**

Acceleration of Equity Awards All grants of performance-based restricted stock will vest upon the closing of a Change in Control on a pro-rated basis as determined by the performance of the Company on the closing date as specified by the agreement. Grants of stock options and service-based awards will vest immediately upon an involuntary or good reason termination of the executive following a Change in Control. Otherwise, the shares will vest according to their original terms and conditions.

The changes to these agreements were adopted after reviewing prevailing market and developing executive compensation best practices. Under each of their respective employment and severance agreements, the Named Executive Officers are entitled to a base salary, incentive compensation (both cash and equity) and other employee benefits as determined by the Board. Based on information provided by the Compensation Committee's compensation consultant, the Committee determined that the benefits, including the various multiples of components of compensation, were within the market range for such payouts and benefits. The Committee regularly reviews the Company's employment and severance agreement arrangements and uses peer data to determine whether these arrangements are consistent with prevailing market practices.

Pursuant to the employment agreements, we are generally obligated to pay certain non-change of control severance benefits to the Named Executive Officer, if we terminate his or her employment without cause, or the executive resigns within 90 days after we have taken certain actions that adversely affect him or her. A Named Executive Officer must satisfy the terms of the agreement, including its non-solicitation and non-compete provisions, to receive his or her severance benefits.

The employment agreements also provide for change of control severance benefits for each Named Executive Officer. The Company is required to pay change of control severance benefits if, within two years following a change of control (as defined in the agreements), we terminate the Named Executive Officer's employment for a reason other than Cause or the Named Executive Officer's disability, or if the executive resigns within two years after a change of control after we have taken certain actions detrimental to the Named Executive Officer.

The Compensation Committee believes that the employment agreements, which include change of control severance benefits, assure the fair treatment of the Named Executive Officers in relation to their professional careers with the Company by assuring them of some financial security in the event of a change of control. The change of control provision also protects the shareholders of the Company by encouraging the Named Executive Officers to continue to devote their full attention to the Company without being distracted by the need to seek other employment following the change of control. The Compensation Committee established the change of control payouts to each of the Named Executive Officers after reviewing peer data and consulting with the Compensation Committee consultant.

In the Committee's view, severance benefits, including in the event of a change-in-control, are contingent and operate as a form of insurance rather than a principal component of compensation strategy. In that regard, the Committee does not reduce or otherwise modify compensation elements on the basis of eligibility for severance benefits. The Potential Payments on Termination or Change-in-Control tables on pages 59 through 63 and the discussion of the employment agreements beginning on page 56 set forth the estimated values and details of the termination benefits under various scenarios for each of the Named Executive Officers.

***Perquisites and Other Compensation.*** Detailed information regarding other compensation is provided in note 7 to the Summary Compensation Table on page 51. In general, we believe that perquisites should not constitute a consequential portion of any executive officer's compensation. The Company makes available to the Named Executive Officers financial counseling services to assist them in obtaining financial planning advice. This benefit is provided to the executives but the executives pay tax on the benefit.

No executive received perquisites in excess of \$10,000 in 2011. Moreover, certain of the perquisites provided to executive officers also provide a benefit to us. For example, executive physicals, which we require

**Table of Contents**

annually for the CEO and every other year for the other Named Executive Officers, help us to assure that our executive officers do not postpone addressing health issues that could result in great cost to us in lost productivity and covered treatment costs.

**Stock Ownership Guidelines.** In 2010, the Compensation Committee and Board amended the previously established stock ownership guidelines for the Company's executive officers, including the Named Executive Officers, to make the guidelines more consistent with market practices, and to ensure executives retain a specified percentage of stock of the Company until the target ownership level is achieved and to reduce the risk that stock price volatility could impact the achievement of the target ownership requirement. Under the guidelines, the Named Executive Officers are required to hold shares of our stock with a value which is the lesser of the following:

| Position or Salary                        | Target Ownership Guideline           |
|---|--------------------------------------|
| Chief Executive Officer                   | 5x salary in stock or 200,000 shares |
| Chief Operating Officer                   | 4x salary in stock or 100,000 shares |
| Salary equal to or greater than \$250,000 | 3x salary in stock or 50,000 shares  |
| Salary below \$250,000                    | 2x salary in stock or 25,000 shares  |
| Salary equal to or less than \$150,000    | 1x salary in stock or 15,000 shares  |

As of December 31, 2011, each of the Named Executive Officers has met the stock ownership guideline requirement for ownership.

For purposes of the guidelines, in-the-money options, unearned performance-based restricted stock units, unvested service based restricted stock and phantom shares in the Nonqualified Deferred Compensation Plan are taken into account. The Named Executive Officers have a significant number of outstanding stock options not currently exercisable due to the recent stock price performance, and there has been a recent emphasis by the Compensation Committee on performance-contingent awards that have not been earned.

**Changes in Executive Compensation in 2012**

In January 2012, based on results of a review by executive management of the compensation program, the Compensation Committee approved certain changes to the program which will be effective in 2012. In this review, the Compensation Committee considered the balance between short and long-term incentives, cash versus stock, revenue and risk metrics and absolute and relative performance measures and considered the time horizon of payments versus risks.

The Compensation Committee and Board first recognized the significant improvement in financial results in 2011 over 2010, compared to peers. Performance of the Company for the three-year period through 2010 and through the third quarter of 2011, compared to peers, was at the 49<sup>th</sup> percentile and the 62<sup>nd</sup> percentile, respectively.

The Compensation Committee agreed with management's recommendation to reinstate the Short Term Incentive Plan for 2012 since the banking and general economic environment have begun to return to pre-economic crisis levels. The 2012 Short Term Incentive Plan contains targeted annual incentives and provides an opportunity for participants, including the Named Executive Officers, to earn between 50% and 200% of their target opportunities. The Compensation Committee believes having a payout range helps to ensure pay for performance, and paying at 50% for threshold performance increases the competitiveness of the plan and aligns it with market. No payouts will be made for performance below minimum required performance. If 80% of the targeted profitability measure is achieved, an incentive payout equal to 50% of targeted incentive level for each of the Named Executive Officers will be paid. If the targeted profitability measure is achieved, each of the Named Executive Officers will receive a 100% of the target incentive payout. The 2012 Short Term Incentive Plan awards are subject to shareholders approving the amendments to the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan.

## **Table of Contents**

The performance measures for the 2012 Short Term Incentive Plan for Messrs. Jones, Wolking and Knight are as follows:

Corporate Net Income 70%

Net Charge-off Ratio 15%

Efficiency Ratio 15%

The performance measures for Ms. Murphy and Mr. Moore are as follows:

Corporate Net Income 20%

Banking Budgeted Margin 50%

Net Charge-off Ratio 15%

Efficiency Ratio 15%

The Compensation Committee chose the performance measures of corporate net income and banking budgeted margin because it believes those performance measures properly focus executive management on continuing to drive improvements in the financial results of the Company. The Compensation Committee chose to structure 30% of the performance measures in the net charge-off ratio and the efficiency ratio categories in order to ensure executive management is focused on continuing to improve the Company's credit quality and to ensure executive management focuses on managing expenses within the Company.

In 2012, the Compensation Committee agreed with management's recommendation to alter the approach toward long-term equity incentive awards previously adopted in 2010. Management recommended that the Company return to the 2008 pre-economic level approach to long-term awards, since the banking and general economic environment are beginning to stabilize. The service-based restricted stock component is reduced to 25% in 2012, a reduction from the 50% in 2010. The Compensation Committee agreed to continue to award service-based restricted stock (but at a reduced percentage) in order to align the Company with peer group practices and to ensure the retention of key executive officers of the Company.

In 2012, the Compensation Committee agreed to award the internal measure performance-based restricted stock unit at 25% measured over a three-year performance period. Previously, the internal measure award was earned over a one-year performance period, followed by two additional years of service vesting. The decision to change the measurement period from one to three years is due to the changes in the general economy and banking environment to a more normalized environment. Although the Compensation Committee recognizes the banking environment continues to be challenging, the external economic duress has subsided, and although difficult, it was determined that multi-year goal setting for award opportunities was possible.

The Chief Executive Officer's long-term equity award in 2012 consists of 100% performance-based restricted stock units. The purpose of awarding 100% of the Chief Executive Officer's stock award in performance-based restricted stock units is to ensure his interests are totally aligned with the interests of shareholders. Twenty-five percent of the CEO's award will be based on the performance measure of earnings per share growth and 75% will be based on total shareholder return, both measured over a three-year performance period.

The Compensation Committee and Board agreed that in order to align the Chief Executive Officer's incentive compensation directly with shareholder interests, the Chief Executive Officer's equity compensation should continue to consist solely of performance-based restricted stock units with no service-based component.

In 2012, our long-term equity awards for the Named Executive Officers (other than the Chief Executive Officer) will be allocated as follows:

25% performance-based restricted stock units (Internal Measure of EPS),

50% performance-based restricted stock units (External Measure of Total Shareholder Return); and

25% service-based restricted stock.



**Table of Contents**

The financial factor for the internal measure award will be EPS CAGR measured against internal goals over a three-year performance period. The financial factor for the external measure award will be total shareholder return compared to peers over a three-year performance period.

The Chief Executive Officer proposed, and the Compensation Committee and Board agreed, to not increase his salary for 2012, despite the significant financial performance of the Company in 2011.

In addition to the changes summarized above, the Company is maintaining its existing compensation practices that represent strong corporate governance including the following:

An independent compensation consultant and independent counsel who report directly to the Compensation Committee and provide no other service to the Company;

Significant stock ownership guidelines that align executives' interests with those of our shareholders;

A clawback policy that permits the Board to recover bonuses from senior executives whose fraud or misconduct resulted in a significant restatement of financial results;

An annual risk assessment of the Company's pay practices;

Compensation policies and practices designed to discourage excessive risk-taking, including the assessment of performance across multiple dimensions and metrics, the use of multi-year performance periods and, as discussed above, the adoption of stock ownership guidelines and a clawback policy; and

An annual shareholder advisory vote on executive compensation.

**Table of Contents****2011 Summary Compensation Table**

The following table provides information regarding compensation earned by our Chief Executive Officer, Chief Financial Officer, and the three other executive officers employed at the end of 2011 who were most highly compensated for 2011.

| Name and<br>Principal<br>Position<br>(a)  | Year<br>(b) | Salary(1)<br>(\$)<br>(c) | Bonus(2)<br>(\$)<br>(d) | Stock<br>Awards(3)<br>(\$)<br>(e) | Option<br>Awards(4)<br>(\$)<br>(f) | Non-Equity<br>Incentive<br>Plan<br>Compensation(5)<br>(\$)<br>(g) | Change in  | All Other<br>Compensation(7)<br>(\$)<br>(i) | Total<br>(\$)<br>(j) |
|---|-------------|--------------------------|-------------------------|-----------------------------------|------------------------------------|---|--|---|----------------------|
|   |             |                          |                         |                                   |                                    |   | Nonqualified<br>Deferred<br>Compensation<br>Earnings(6)<br>(\$)<br>(h) |   |                      |
| Robert G. Jones                           | 2011        | 650,000                  | 0                       | 505,575                           | 0                                  | 243,750   | 0  | 24,190                                      | 1,423,515            |
| President and<br>Chief Executive Officer  | 2010        | 650,000                  | 0                       | 321,399                           | 0                                  | 0   | 0  | 44,247                                      | 1,015,646            |
|   | 2009        | 650,000                  | 0                       | 387,926                           | 99,455                             | 0   | 0  | 91,991                                      | 1,229,372            |
| Christopher A. Wolking                    | 2011        | 313,770                  | 0                       | 212,445                           | 0                                  | 70,598  | 7,977  | 21,561                                      | 626,351              |
| Senior EVP and<br>Chief Financial Officer | 2010        | 309,016                  | 0                       | 186,788                           | 0                                  | 0   | 2,314  | 22,794                                      | 520,912              |
|   | 2009        | 309,016                  | 34,764                  | 121,754                           | 30,446                             | 0   | 12,527   | 28,713                                      | 537,220              |
| Barbara A. Murphy                         | 2011        | 355,154                  | 0                       | 212,445                           | 0                                  | 79,910  | 352  | 17,829                                      | 665,690              |
| Senior EVP and<br>Chief Banking Officer   | 2010        | 342,000                  | 0                       | 186,788                           | 0                                  | 0   | 288  | 21,092                                      | 550,168              |
|   | 2009        | 342,000                  | 38,475                  | 121,754                           | 30,446                             | 0   | 411  | 37,081                                      | 570,167              |
| Daryl D. Moore                            | 2011        | 299,059                  | 0                       | 118,025                           | 0                                  | 59,812  | 144,022  | 13,509                                      | 634,427              |
| EVP and Chief Credit<br>Officer           | 2010        | 299,059                  | 0                       | 114,563                           | 0                                  | 0   | 64,680   | 16,426                                      | 494,728              |
|   | 2009        | 299,059                  | 29,906                  | 75,125                            | 18,267                             | 0   | 183,264  | 32,983                                      | 638,604              |
| Jeffrey L. Knight                         | 2011        | 271,731                  | 0                       | 118,025                           | 0                                  | 54,346  | 17,461   | 12,064                                      | 473,627              |
| EVP and Chief Legal<br>Counsel            | 2010        | 247,191                  | 0                       | 141,959                           | 0                                  | 0   | 5,684  | 14,977                                      | 409,811              |
|   | 2009        | 237,829                  | 23,783                  | 93,258                            | 22,327                             | 0   | 20,574   | 27,528                                      | 425,299              |

(1) Base salary increases for Named Executive Officers are effective in the first pay of April during the calendar year.

(2) 2009 Bonuses are for 2009 performance, but were not approved or paid until 2010.

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

(3) Stock awards included in Column (e) consist entirely of service-based restricted stock and performance-based restricted stock granted under our 2008 Equity Incentive Plan. Award values are based on the closing price for our stock on the grant date. For performance-based restricted stock, the grant date value is based on the number of units that would be earned at target levels of performance. The value of the award assuming the highest level of performance conditions are achieved for the 2009, 2010 and 2011 awards would be: Robert Jones (\$775,852, \$642,798 and \$1,011,150); Christopher Wolking (\$180,951, \$284,775 and \$321,390); Barbara Murphy (\$180,951, \$284,755 and \$321,390); Daryl Moore (\$111,651, \$174,662 and \$178,550); and Jeffrey Knight (\$138,600, \$216,429 and \$178,550). For the number of shares of service-based and performance-based restricted stock awarded in 2011, see the Grants of Plan-Based Awards Table.

(4) The amount reflected in Column (f) is the grant date value under Statement of Financial Accounting Standards Codification (ASC) Topic 718 (formerly FAS 123-R). The awards included in this Column consist entirely of non-qualified stock options granted in 2009. We determined the fair value of each grant as of the date of grant using the Black-Scholes option pricing method with the following assumptions:

### 2009 Options

Dividend Yield: 5.31%

Expected Volatility: 28.79%

Annual Risk-Free Interest Rate: 2.075%

Expected Option Life: 6.0 years

(5) These amounts represent incentives that were earned under the Company's Short Term Incentive Plan. 2011 incentive amounts are for 2011 performance, but were not Approved or paid until 2012.

(6) This amount is the increase of the actuarial present value of the executive's benefit under our frozen defined benefit plans, plus the amount of the executive's earnings credit under our Executive Deferred Compensation Plan in excess of the earnings that would have been credited using the applicable federal long-term rate, with compounding (as described by Section 1274(d) of the Internal Revenue Code).

The 2011 Change in Pension Values and Non-Qualified Deferred Compensation excess earnings were: Robert Jones (\$0 and -\$7,506); Christopher Wolking (\$7,299 and \$678); Barbara Murphy (\$0 and \$352); Daryl Moore (\$132,212 and \$11,810); and Jeffrey Knight (\$17,363 and \$98).



**Table of Contents**

The 2010 Change in Pension Values and Non-Qualified Deferred Compensation excess earnings were: Robert Jones (\$0 and -\$14,623); Christopher Wolking (\$2,215 and \$99); Barbara Murphy (\$0 and \$288); Daryl Moore (\$53,283 and \$11,397); and Jeffrey Knight (\$5,590 and \$94).

The 2009 Change in Pension Values and Non-Qualified Deferred Compensation excess earnings were: Robert Jones (\$0 and -\$59,649); Christopher Wolking (\$7,158 and \$5,369); Barbara Murphy (\$0 and \$411); Daryl Moore (\$159,646 and \$23,618); and Jeffrey Knight (\$20,402 and \$172).

(7) The amounts specified in Column (i) include the following: perquisites, company contributions to defined contribution plans, cash dividends on restricted stock and life insurance premiums.

| Name                   | Perquisites &<br>Other Personal<br>Benefits<br>(\$) | Company<br>Contributions to<br>Defined<br>Contribution<br>Plans<br>(\$) | Cash                                     |   | Total<br>(\$) |
|------------------------|---|---|--|---|---------------|
|                        |   |   | Dividends on<br>Restricted Stock<br>(\$) | Life Insurance<br>Premiums<br>(a)<br>(\$) |               |
| Robert G. Jones        | 1,153   | 22,163  | 0  | 874                                       | 24,190        |
| Christopher A. Wolking | 0   | 16,513  | 4,359                                    | 689                                       | 21,561        |
| Barbara A. Murphy      | 0   | 12,685  | 4,359                                    | 785                                       | 17,829        |
| Daryl D. Moore         | 0   | 10,325  | 2,530                                    | 654                                       | 13,509        |
| Jeffrey L. Knight      | 0   | 8,652   | 2,800                                    | 612                                       | 12,064        |

(a) The listed executive officers receive group life coverage equal to two times base salary, whereas other employees receive coverage of one times base salary. The amounts in this column are the premiums for the executive officers' coverage.

**Table of Contents****Grants of Plan-Based Awards During 2011**

| Name                   | Grant Date                          | Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1) |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards(2) |            |             | All Other Stock Awards: Number of Shares of Stock or Units (#) (3) | All Other Option Awards: Number of Securities Underlying Options (#) (4) | Exercise or Base Price of Option Awards (\$/Sh) (k) | Grant Date Fair Value of Stock and Options Awards (\$) (5) |
|------------------------|-------------------------------------|--|-------------|--------------|--|------------|-------------|--|--|---|--|
|                        |                                     | Threshold (\$)   | Target (\$) | Maximum (\$) | Threshold (#)  | Target (#) | Maximum (#) |  |  |   |  |
| Robert G. Jones        | 7/28/2011<br>1/27/2011              | 121,875  | 243,750     | 243,750      |  |            |             |  |  |   |  |
|                        |                                     |  |             |              | 10,000   | 40,000     | 80,000      |  |  |   | 505,575  |
| Christopher A. Wolking | 7/28/2011<br>1/27/2011<br>1/27/2011 | 35,299   | 70,598      | 70,598       |  |            |             |  |  |   |  |
|                        |                                     |  |             |              | 2,250  | 9,000      | 18,000      |  |  |   | 108,945  |
|                        |                                     |  |             |              |  |            |             | 9,000  |  |   | 103,500  |
| Barbara A. Murphy      | 7/28/2011<br>1/27/2011<br>1/27/2011 | 39,955   | 79,910      | 79,910       |  |            |             |  |  |   |  |
|                        |                                     |  |             |              | 2,250  | 9,000      | 18,000      |  |  |   | 108,945  |
|                        |                                     |  |             |              |  |            |             | 9,000  |  |   | 103,500  |
| Daryl D. Moore         | 7/28/2011<br>1/27/2011<br>1/27/2011 | 29,906   | 59,812      | 59,812       |  |            |             |  |  |   |  |
|                        |                                     |  |             |              | 1,250  | 5,000      | 10,000      |  |  |   | 60,525   |
|                        |                                     |  |             |              |  |            |             | 5,000  |  |   | 57,500   |
| Jeffrey L. Knight      | 7/28/2011<br>1/27/2011<br>1/27/2011 | 27,173   | 54,346      | 54,346       |  |            |             |  |  |   |  |
|                        |                                     |  |             |              | 1,250  | 5,000      | 10,000      |  |  |   | 60,525   |
|                        |                                     |  |             |              |  |            |             | 5,000  |  |   | 57,500   |

(1) All non-equity incentive plan awards are made pursuant to our 2011 Incentive Plan. For 2011, the maximum payable under the Plan was the target amount as the bonuses were capped at the target level and there were no above-target opportunities that were paid.

(2) The shares in Columns (f), (g), and (h) are performance-based restricted stock units granted under our 2008 Equity Incentive Plan. For the CEO, the performance period for 31.25% of the 2011 grant is the one-year period ending December 31, 2011. The performance period for the remaining 68.75% of the award is the three-year period ending December 31, 2013. For the other Named Executive Officers, the performance period for 50% of the 2011 grant is the one-year period ending December 31, 2011. The performance period for the remaining 50% of the award is the three-year period ending December 31, 2013. For all executives, the restriction period for 100% of the performance based 2011 grant ends on March 31, 2014. For the CEO, 31.25% of the award, the financial factors used and the weighting attached to each factor (in parenthesis) are: earnings per share (50%) and net charge off ratio (50%). For the remaining 68.75% of the award, the relative financial factor used is total shareholder return (100%) as compared to the company's peer group. For the other Named Executive Officers, for 50% of the award, the financial factors used and the weighting attached to each factor (in parenthesis) are: earnings per share (50%) and net charge off ratio (50%). For the remaining 50% of the award, the relative financial factor used is total shareholder return (100%) as compared to the company's peer group. For all executives dividends accumulate during the vesting period based on the number of shares at target (g) and are paid at vesting only on earned shares.

(3) The shares in Column (i) are service-based restricted shares granted under our 2008 Equity Incentive Plan that vest in three substantially equal installments on February 1 of 2012, 2013 and 2014. Vesting is contingent upon the Executive Officers remaining employed during the required service period. Executive Officers are entitled to dividends during the vesting period on the number of outstanding shares.

(4) No stock options were granted in 2011.

(5) The fair market value of the performance-based restricted stock awards reported in Column (l) is the grant date value of the awards as determined under FASB ASC Topic 718.

**Table of Contents****Outstanding Equity Awards at December 31, 2011**

| Name                   | Option Awards   |   |  |                            |                            | Stock Awards  |  |  | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights that Have Not Vested (\$) |
|------------------------|---|---|--|----------------------------|----------------------------|---|--|--|---|
|                        | Number of Securities Underlying Unexercised Options (#) Exercisable (b) | Number of Securities Underlying Unexercised Options (#) Unexercisable (c) | Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#) (d) | Option Exercise Price (\$) | Option Expiration Date (f) | Number of Shares or Units of Stock that Have Not Vested (#) (g) | Market Value of Shares or Units of Stock that Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights that Have Not Vested (#) (i) |   |
| Robert G. Jones        | 26,250  |   |  | 23.99                      | 09/07/14                   |   |  | 7,700 (3)  | 89,705  |
|                        | 45,900  |   |  | 21.65                      | 02/24/16                   |   |  | 6,150 (4)  | 71,648  |
|                        | 59,100  |   |  | 18.43                      | 01/25/17                   |   |  | 10,000 (5)   | 116,500   |
|                        | 70,000  |   |  | 15.29                      | 01/24/18                   |   |  |  |   |
|                        | 32,666  | 16,334 (1)  |  | 13.31                      | 01/29/19                   |   |  |  |   |
| Christopher A. Wolking | 19,796  |   |  | 20.59                      | 01/22/12                   | 1,567 (2A)  | 18,256   | 1,175 (3)  | 13,689  |
|                        | 27,563  |   |  | 20.68                      | 01/31/13                   | 5,000 (2B)  | 58,250   | 1,875 (4)  | 21,844  |
|                        | 2,100   |   |  | 20.43                      | 02/02/14                   | 9,000 (2C)  | 104,850  | 2,250 (5)  | 26,213  |
|                        | 15,500  |   |  | 21.65                      | 02/24/16                   |   |  |  |   |
|                        | 19,600  |   |  | 18.43                      | 01/25/17                   |   |  |  |   |
|                        | 25,000  |   |  | 15.29                      | 01/24/18                   |   |  |  |   |
|                        | 10,000  | 5,000 (1)   |  | 13.31                      | 01/29/19                   |   |  |  |   |
| Barbara A. Murphy      | 9,100   |   |  | 21.65                      | 02/24/16                   | 1,567 (2A)  | 18,256   | 1,175 (3)  | 13,689  |
|                        | 19,600  |   |  | 18.43                      | 01/25/17                   | 5,000 (2B)  | 58,250   | 1,875 (4)  | 21,844  |
|                        | 25,000  |   |  | 15.29                      | 01/24/18                   | 9,000 (2C)  | 104,850  | 2,250 (5)  | 26,213  |
|                        | 10,000  | 5,000 (1)   |  | 13.31                      | 01/29/19                   |   |  |  |   |

**Footnotes:**

(1) Nonqualified options granted in 2009 that will become vested on February 1, 2012.

(2A) Service-based restricted shares granted in 2009 that will become vested on February 1, 2012.

(2B) Service-based restricted shares granted in 2010 that will become vested in two substantially equal installments on February 1 of 2012 and 2013.

(2C) Service-based restricted shares granted in 2011 that will become vested in three substantially equal installments on February 1 of 2012, 2013 and 2014.

(3) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2011 and before March 31, 2012.

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

(4) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2012 and before March 31, 2013.

(5) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2013 and before March 31, 2014.

**Table of Contents****Outstanding Equity Awards at December 31, 2011**

| (a)               | Name  | Option Awards   |   |   |                                | Stock Awards               |   |  |  | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Rights that Have Not Vested |     |        |
|-------------------|-------|---|---|---|--------------------------------|----------------------------|---|--|--|--|-----|--------|
|                   |       | Number of Securities Underlying Unexercised Options (#) (b) | Number of Securities Underlying Unexercised Options (#) (c) | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) (d) | Option Exercise Price (\$) (e) | Option Expiration Date (f) | Number of Shares or Units of Stock that Have Not Vested (#) (g) | Market Value of Shares or Units of Stock that Have Not Vested (\$) | Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Rights that Have Not Vested (#) (i) |  |     |        |
| Daryl D. Moore    |       | 96,083  |   |   | 20.59                          | 01/22/12                   | 967   | (2A)   | 11,266   | 725  | (3) | 8,446  |
|                   |       | 83,790  |   |   | 20.68                          | 01/31/13                   | 3,067   | (2B)   | 35,731   | 1,150  | (4) | 13,398 |
|                   |       | 6,300   |   |   | 20.43                          | 02/02/14                   | 5,000   | (2C)   | 58,250   | 1,250  | (5) | 14,563 |
|                   |       | 9,100   |   |   | 21.65                          | 02/24/16                   |   |  |  |  |     |        |
|                   |       | 12,300  |   |   | 18.43                          | 01/25/17                   |   |  |  |  |     |        |
|                   |       | 14,000  |   |   | 15.29                          | 01/24/18                   |   |  |  |  |     |        |
|                   | 6,000 | 3,000   | (1)   | 13.31   | 01/29/19                       |                            |   |  |  |  |     |        |
| Jeffrey L. Knight |       | 12,965  |   |   | 20.59                          | 01/22/12                   | 1,200   | (2A)   | 13,980   | 900  | (3) | 10,485 |
|                   |       | 17,640  |   |   | 20.68                          | 01/31/13                   | 3,800   | (2B)   | 44,270   | 1,425  | (4) | 16,601 |
|                   |       | 1,995   |   |   | 20.43                          | 02/02/14                   | 5,000   | (2C)   | 58,250   | 1,250  | (5) | 14,563 |
|                   |       | 12,800  |   |   | 21.65                          | 02/24/16                   |   |  |  |  |     |        |
|                   |       | 16,500  |   |   | 18.43                          | 01/25/17                   |   |  |  |  |     |        |
|                   |       | 19,700  |   |   | 15.29                          | 01/24/18                   |   |  |  |  |     |        |
|                   | 7,333 | 3,667   | (1)   | 13.31   | 01/29/19                       |                            |   |  |  |  |     |        |

**Footnotes:**

(1) Nonqualified options granted in 2009 that will become vested on February 1, 2012.

(2A) Service-based restricted shares granted in 2009 that will become vested on February 1, 2012.

(2B) Service-based restricted shares granted in 2010 that will become vested in two substantially equal installments on February 1 of 2012 and 2013.

(2C) Service-based restricted shares granted in 2011 that will become vested in three substantially equal installments on February 1 of 2012, 2013 and 2014.

(3) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2011 and before March 31, 2012.

(4) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2012 and before March 31, 2013.

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

(5) This award represents performance-based restricted stock. The number of shares assumes that threshold performance has been achieved. If threshold performance is achieved, the executive officer's interest in the shares will vest on the distribution date which will be after December 31, 2013 and before March 31, 2014.

**Table of Contents****Option Exercises and Stock Vested in 2011**

| Name                   | Option Awards                         |                            | Stock Awards                         |                           |
|------------------------|---------------------------------------|----------------------------|--------------------------------------|---------------------------|
|                        | Number of Shares Acquired on Exercise | Value Realized on Exercise | Number of Shares Acquired on Vesting | Value Realized on Vesting |
|                        | (#)                                   | (\$)                       | (#)                                  | (\$)                      |
| (a)                    | (b)                                   | (c)                        | (d)                                  | (e)                       |
| Robert G. Jones        | 0                                     | 0                          | 0                                    | 0                         |
| Christopher A. Wolking | 0                                     | 0                          | 5,234                                | 57,574                    |
| Barbara A. Murphy      | 0                                     | 0                          | 5,234                                | 57,574                    |
| Daryl D. Moore         | 0                                     | 0                          | 3,167                                | 34,837                    |
| Jeffrey L. Knight      | 0                                     | 0                          | 4,000                                | 44,000                    |

**Pension Benefits in 2011**

| Name                   | Plan Name (1)     | Number                    | Present Value of Accumulated Benefit | Payments During Last Fiscal Year | Change in Pension Value |
|------------------------|-------------------|---------------------------|--------------------------------------|----------------------------------|-------------------------|
|                        |                   | of Years Credited Service |                                      |                                  |                         |
|                        |                   | (#)                       |                                      |                                  |                         |
| (a)                    | (b)               | (c)                       | (\$)(2)                              | (\$)                             | (\$)                    |
|                        |                   |                           | (d)                                  | (e)                              | (f)                     |
| Robert G. Jones        | Retirement Plan   | 0                         | 0                                    | 0                                | 0                       |
|                        | Supplemental Plan | 0                         | 0                                    | 0                                | 0                       |
| Christopher A. Wolking | Retirement Plan   | 3                         | 35,903                               | 0                                | 7,150                   |
|                        | Supplemental Plan | 3                         | 918                                  | 0                                | 149                     |
| Barbara A. Murphy      | Retirement Plan   | 0                         | 0                                    | 0                                | 0                       |
|                        | Supplemental Plan | 0                         | 0                                    | 0                                | 0                       |
| Daryl D. Moore         | Retirement Plan   | 26                        | 471,145                              | 0                                | 83,043                  |
|                        | Supplemental Plan | 26                        | 354,491                              | 0                                | 49,169                  |
| Jeffrey L. Knight      | Retirement Plan   | 10                        | 90,752                               | 0                                | 17,363                  |
|                        | Supplemental Plan | 0                         | 0                                    | 0                                | 0                       |

(1) Benefits under both the Retirement Plan and the Supplemental Plan were frozen, effective December 31, 2005. The Retirement Plan is a tax-qualified defined benefit plan, and the Supplemental Plan is a defined benefit nonqualified deferred compensation plan established to make up for benefit reductions under the Retirement Plan on account of Internal Revenue Code benefit limitations.

(2) The calculation of present value of accumulated benefit assumes a discount rate of 4.55% until age 65. It further assumes that the executive officer will receive the present value of his or her retirement benefit at age 65 in the form of a lump sum payment, calculated using 2012 IRS Prescribed Mortality-Static Annuitant/Non-annuitant, male and female. 100% of active participants are assumed to receive benefits as a single

lump sum payment immediately for retirement and withdrawal benefits. The assumed lump sum basis is 4.55% interest and 2012 IRS Lump Sum Mortality.



**Table of Contents****2011 Nonqualified Deferred Compensation**

| Name                   | Year | Executive Contributions in Last Fiscal Year | Registrant Contributions in Last Fiscal Year (1) | Aggregate Earnings in Last Fiscal Year (2) | Aggregate Withdrawals/ Distributions | Aggregate Balance at Last Fiscal Year End (3) |
|------------------------|------|---|--|--|--------------------------------------|---|
| (a)                    |      | (\$)  | (\$)   | (\$)                                       | (\$)                                 | (\$)  |
|                        |      | (b)   | (c)  | (d)  | (e)                                  | (f)   |
| Robert G. Jones        | 2011 | 65,000                                      | 12,600   | 10,820                                     | 0                                    | 498,800                                       |
|                        | 2010 | 65,000                                      | 24,300   | 1,932                                      | 0                                    | 410,379                                       |
|                        | 2009 | 65,000                                      | 47,459   | -47,308                                    | 0                                    | 319,147                                       |
| Christopher A. Wolking | 2011 | 3,138                                       | 9,110  | 8,913                                      | 0                                    | 198,823                                       |
|                        | 2010 | 30,902                                      | 10,412   | 7,530                                      | 0                                    | 177,662                                       |
|                        | 2009 | 30,902                                      | 7,839  | 10,632                                     | 0                                    | 128,820                                       |
| Barbara A. Murphy      | 2011 | 0   | 3,650  | 1,545                                      | 0                                    | 28,047  |
|                        | 2010 | 0   | 5,820  | 1,333                                      | 0                                    | 22,852  |
|                        | 2009 | 0   | 6,700  | 1,131                                      | 0                                    | 15,699  |
| Daryl D. Moore         | 2011 | 17,944                                      | 2,622  | 48,204                                     | 0                                    | 863,251                                       |
|                        | 2010 | 14,953                                      | 3,244  | 47,421                                     | 0                                    | 794,481                                       |
|                        | 2009 | 8,972                                       | 10,363   | 56,914                                     | 0                                    | 728,863                                       |
| Jeffrey L. Knight      | 2011 | 0   | 779  | 422  | 0                                    | 7,615   |
|                        | 2010 | 0   | 0  | 387  | 0                                    | 6,414   |
|                        | 2009 | 0   | 1,700  | 448  | 0                                    | 6,027   |

- (1) These amounts are also included under All Other Compensation in the Summary Compensation Table on page 50.
- (2) Of the 2011 balances reported in this column, the amounts of \$678, \$352, \$11,810 and \$98 with respect to Mr. Wolking, Ms. Murphy and Messrs. Moore and Knight, respectively, were reported under Change in Pension Value and Nonqualified Deferred Compensation in the Summary Compensation Table on page 50.
- (3) Of the 2011 balances reported in this column, the amounts of \$149,976, \$40,258, \$20,614, \$155,927 and \$2,407 with respect to Messrs. Jones and Wolking, Ms. Murphy and Messrs. Moore and Knight, respectively, were reported in the Summary Compensation Table in prior years.

**Potential Payments on Termination or Change in Control.**

**Employment Agreements.** We have entered into employment agreements with each Named Executive Officer with the exception of Jeffrey L. Knight, who has entered into an Amended Severance and Change of Control Agreement (collectively referred to as employment agreement(s) or agreements ). The amended agreements effective January 1, 2011, are summarized below. The summary is qualified in its entirety by reference to the agreements themselves, copies of which are available from the Company itself or from the Company's public filings with the SEC.

The initial term of the employment agreements entered into with the Chief Executive Officer, Chief Financial Officer and Chief Banking Officer ended on December 31, 2010. The agreements contain automatic one-year extensions, unless the Named Executive Officer or the Company provides 60 days' notice before the end of the year of intent not to renew the agreement. The initial terms of the agreements for Messrs. Moore and Knight expired on December 31, 2009, but were automatically renewed pursuant to the automatic one-year extensions set forth in the agreements. Messrs. Moore and Knight or the Company must provide 60 days' notice before the end of the renewal term of intent not to renew the agreement.



---

## **Table of Contents**

Under each of their respective employment agreements, the Named Executive Officers are entitled to a base salary, incentive compensation (both cash and equity) and other employee benefits as determined by the Board. Based on information provided by the Compensation Committee compensation consultant, the Committee determined that the benefits, including the various multiples of components of compensation, were within the market range for such payouts and benefits. The Committee regularly reviews the Company's employment and severance agreement arrangements and uses peer data to determine whether these arrangements are consistent with prevailing market practices.

Pursuant to the employment agreements, we are generally obligated to pay certain non-change of control severance benefits to the Named Executive Officer if we terminate his or her employment without cause, or the executive resigns within 90 days after we have taken certain actions that adversely affect him or her. The agreements also obligate the Company to pay certain severance benefits if there is a change of control of the Company as defined within the agreement. A Named Executive Officer must satisfy the terms of the agreement, including its non-solicitation and non-compete provisions, to receive his or her benefits.

For purposes of the employment agreements, "Cause" includes (i) the Named Executive Officer's act or failure to act constituting willful misconduct or gross negligence that is materially injurious to the Employer or its reputation; (ii) the Named Executive Officer's willful and material failure to perform the duties of his employment (except in the case of a termination of Employment for Good Reason or on account of the Executive's physical or mental inability to perform such duties) and the failure to correct such failure within five (5) days after receiving notice from the Board specifying such failure in detail; (iii) the Named Executive Officer's willful and material violation of the Employing Companies' code of ethics or written harassment policies; (iv) the requirement or direction of a federal or state regulatory agency having jurisdiction over the Company that the Named Executive Officer's employment be terminated; (v) the Named Executive Officer's arrest or indictment for a felony or a lesser criminal offense involving dishonesty, breach of trust, or moral turpitude; or (vi) the Named Executive Officer's intentional breach of a material term, condition, or covenant of the Agreement and the failure to correct such violation within five (5) days after receipt of written notice from the Board specifying such breach in detail.

We are generally required to pay non-change of control benefits under the employment agreements if the Named Executive Officer terminates his or her employment for "Good Reason" within 90 days after we have taken specified actions and we have failed to correct the event within 30 days following the Named Executive Officer's notice of termination. These actions include (i) a material reduction in the Named Executive Officer's duties, responsibilities, or status with the Employing Companies; (ii) a reduction in the Named Executive Officer's base compensation for failure to include the Named Executive Officer with other similarly situated employees in any incentive, bonus, or benefit plans as may be offered by the Employing Companies from time to time; (iii) a change in the primary location at which the Named Executive Officer is required to perform the duties of his or her employment to a location that is more than fifty (50) miles from the location at which his or her office is located on the effective date of the agreement; or (iv) the Company's material breach of the agreement.

The non-change of control severance benefits payable under the employment agreements include a lump sum payment equal to the Named Executive Officer's Weekly Pay rate multiplied by the greater of (i) 52 or (ii) two times his or her years of service. The non-change of control severance benefits for our Chief Executive Officer, Chief Financial Officer and Chief Banking Officer provide for a severance payment of 104 weeks, however. For purposes of this payment, the Named Executive Officer's Weekly Pay rate is the sum of his or her annual base salary then in effect and also includes payment of the Named Executive Officer's target bonus for the year the severance is paid divided by 52. Each of the employment agreements contain non-solicitation and non-compete provisions, which remain in effect for two years after termination of employment.

The employment agreements also provide for change of control severance benefits for each Named Executive Officer. The Company is required to pay change of control severance benefits if, within two years following a change of control (as defined in the agreements), we terminate the Named Executive Officer's employment for a reason other than "Cause" or the Named Executive Officer's disability. The Board believes

---

**Table of Contents**

that the employment agreements, which include change of control severance benefits, assure the fair treatment of the Named Executive Officers in relation to their professional careers with the Company by assuring them of some financial security in the event of a change of control. The change of control provision also protects the shareholders of the Company by encouraging the Named Executive Officers to continue to devote their full attention to the Company without being distracted by the need to seek other employment following the change of control. The Compensation Committee established the change of control payouts to each of the Named Executive Officers after reviewing peer data and consulting with PM&P.

Under the employment agreements, we are obligated to make the change of control severance payment, if the Named Executive Officer resigns for Good Reason within two years after a change of control after we have taken certain actions detrimental to the Named Executive Officer. These actions include (i) assignment to the Named Executive Officer of any duties materially inconsistent with his or her positions, duties, responsibilities, or status with the Employing Companies immediately before the change of control date; (ii) a substantial reduction in the Executive's duties or responsibilities, or any removal of the Named Executive Officer from, or any failure to re-elect the Named Executive Officer to, any positions held by the Named Executive Officer immediately before the change of control date; (iii) a reduction by the Employing Companies in the compensation or benefits of the Named Executive Officer in effect immediately before the change of control date, or any failure to include the Named Executive Officer, at a level equal to or better than any other senior executive of an Employing Company, in any incentive, bonus, or benefit plan covering one or more senior executives of the Employing Companies; (iv) a reduction in the Named Executive Officer's total compensation opportunity; (v) a change in the primary location at which the Named Executive Officer is required to perform the duties of his or her employment to a location that is more than fifty (50) miles from the location at which his or her office is located immediately before the change in control date (disregarding any change in location in anticipation of the change of control); or (vi) the Company's material breach of the Agreement.

The change of control severance payment required under the employment agreements is a single lump sum payment in an amount equal to the product of (i) three (3) times (for the Chief Executive Officer, Chief Financial Officer and Chief Banking Officer and two (2) times for our other Named Executive Officers) (ii) the sum of (A) the Named Executive Officer's annual base salary, at the greater of the rate in effect on the change of control date or the termination date, plus (B) the Named Executive Officer's target bonus for the year containing the change of control date, or, if greater, for the year preceding the change of control date, subject to certain limitations and reimbursement provisions contained in the employment agreement.

Following a change of control, all outstanding Company stock options, to the extent not previously vested and exercisable, shall become vested and exercisable upon the Named Executive Officer's termination of employment. All grants of performance-based restricted stock granted after January 20, 2011, will vest upon the closing of the change of control on a pro-rated basis as determined by the performance of the Company on the closing date as specified by the agreement. Performance shares granted prior to 2011 are treated as fully earned, and the period of restriction lapses, following a change in control. Service-based restricted stock awards will vest immediately upon an involuntary or good reason termination of a Named Executive Officer following a change of control. Otherwise, they will vest according to their original terms and conditions.

Under Code Section 4999, a 20% excise tax is imposed on change in control payments that are excess parachute payments within the meaning of Section 280G(b)(1). In general, the excess parachute payment threshold above which excise taxes are imposed is three times the base amount (which is the average W-2 compensation averaged over five years). In January 2011, the employment agreements were amended as the Compensation Committee decided to eliminate tax gross ups and adopt a best after-tax provision whereby the executive receives the full 280G payment and has the responsibility for any excise tax, or the payment is reduced to the safe harbor amount, whichever will put the executive in the best after-tax position with the most compensation and income.

**Table of Contents****Potential Payments Upon Termination of Employment and Change in Control**

The following tables provide information regarding potential payments upon termination of employment or a change in control for the Named Executive Officers. For purposes of the following tables, we have assumed that the change in control and/or termination occurred on December 31, 2011, and we have used the closing price of our stock on that date.

The Company has entered into certain agreements and maintains certain plans that will require the Company to provide compensation to Named Executive Officers of the Company in the event of a termination of employment or a change in control of the Company. The amount of compensation payable to each Named Executive Officer in each situation is listed in the following tables.

**Robert G. Jones****President and CEO**

| <b>Executive Benefits and<br/>Payments Upon Termination<br/>Compensation:</b> | <b>Voluntary<br/>Termination/<br/>Retirement</b> | <b>Involuntary Not<br/>for Cause<br/>Termination</b> | <b>For<br/>Cause<br/>Termination</b> | <b>Involuntary<br/>or<br/>Good Reason<br/>Termination Upon<br/>Change in<br/>Control</b> | <b>Termination on<br/>Account of<br/>Disability</b> | <b>Termination on<br/>Account of Death</b> |
|---|--|--|--------------------------------------|--|---|--|
| Base Salary   | \$0  | \$1,300,000  | \$0                                  | \$0  | \$0   | \$0  |
| Short-Term Incentive  | \$0  | \$975,000  | \$0                                  | \$0  | \$0   | \$0  |
| Change in Control Severance   | \$0  | \$0  | \$0                                  | \$3,412,500  | \$0   | \$0  |
| Long Term Incentive   |  |  |                                      |  |   |  |
| Performance-Based Restricted Shares   |  |  |                                      |  |   |  |
| 2009-2011 (Performance Period)  | \$717,640 (1)                                    | \$0  | \$0                                  | \$358,820 (2)  | \$717,640 (4)                                       | \$358,820 (5)                              |
| 2010-2012 (Performance Period)  | \$573,180 (1)                                    | \$0  | \$0                                  | \$286,590 (2)  | \$573,180 (4)                                       | \$286,590 (5)                              |
| 2011-2013 (Performance Period)  | \$932,000 (1)                                    | \$0  | \$0                                  | \$310,667 (3)  | \$932,000 (4)                                       | \$466,000 (5)                              |
| Stock Options   |  |  |                                      |  |   |  |
| Unvested & Accelerated  | \$0  | \$0  | \$0                                  | \$337  | \$0   | \$0  |
| Service-Based Restricted Stock  |  |  |                                      |  |   |  |
| Unvested Awards   | \$0  | \$0  | \$0                                  | \$0  | \$0   | \$0  |
| <b>Benefits and Perquisites:</b>  |  |  |                                      |  |   |  |
| Accrued Vacation Pay  | \$50,000   | \$50,000   | \$50,000                             | \$50,000   | \$50,000  | \$50,000                                   |
| Medical / Life & Outplacement   | \$0  | \$43,027   | \$0                                  | \$43,027   | \$0   | \$0  |
| <b>Total</b>  | <b>\$2,272,820</b>                               | <b>\$2,368,027</b>                                   | <b>\$50,000</b>                      | <b>\$4,461,941</b>   | <b>\$2,272,820</b>                                  | <b>\$1,161,410</b>                         |

(1) If Mr. Jones voluntarily terminates his employment, based upon his age and years of service, his termination would be classified as a retirement. As such, he will continue as a participant through the performance period, and his 2009, 2010 and 2011 performance-based shares (including the forfeiture of some or all shares) will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(2) Performance-based restricted stock granted in 2009 and 2010 are treated as fully earned at target level, and the period of restriction lapses upon a change in control and subsequent termination of employment.

(3) Performance-based restricted stock awards granted in 2011 are earned on a pro-rata basis as determined by the performance of the Company on the closing date of the change in control. The amount recorded assumes performance at the closing date of the Change in Control results in the maximum payment being earned under those agreement(s).

(4) If Mr. Jones terminates employment on account of his disability, he will continue as a participant through the service and performance period, and his 2009, 2010, 2011 performance-based shares (including forfeiture of some or all shares) will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(5) If Mr. Jones dies while an employee, the (i) period of restriction will lapse, and (ii) the 2009, 2010 and 2011 performance-based shares will be treated as earned at the target level.



**Table of Contents**

Christopher A. Wolking

Senior EVP, Chief Financial Officer

| Executive Benefits and<br>Payments Upon Termination<br>Compensation: | Voluntary<br>Termination | Involuntary Not<br>for Cause<br>Termination | For<br>Cause<br>Termination | Involuntary or<br>Good Reason<br>Termination Upon<br>Change in<br>Control | Termination on<br>Account of<br>Disability | Termination on<br>Account of Death |
|--|--------------------------|---|-----------------------------|---|--|------------------------------------|
| Base Salary  | \$0                      | \$630,392                                   | \$0                         | \$0   | \$0  | \$0                                |
| Short-Term Incentive   | \$0                      | \$283,676                                   | \$0                         | \$0   | \$0  | \$0                                |
| Change in Control Severance  | \$0                      | \$0   | \$0                         | \$1,371,103   | \$0  | \$0                                |
| Long Term Incentive  |                          |   |                             |   |  |                                    |
| Performance-Based Restricted Shares                                  |                          |   |                             |   |  |                                    |
| 2009-2011 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$54,755 (1)  | \$109,510 (3)                              | \$54,755 (4)                       |
| 2010-2012 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$87,375 (1)  | \$174,750 (3)                              | \$87,375 (4)                       |
| 2011-2013 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$69,900 (2)  | \$209,700 (3)                              | \$104,850 (4)                      |
| Stock Options  |                          |   |                             |   |  |                                    |
| Unvested & Accelerated   | \$0                      | \$0   | \$0                         | \$103   | \$0  | \$0                                |
| Service-Based Restricted Stock                                       |                          |   |                             |   |  |                                    |
| Unvested Awards  | \$0                      | \$0   | \$0                         | \$181,356 (1)   | \$181,356 (3)                              | \$181,356 (4)                      |
| <b>Benefits and Perquisites:</b>                                     |                          |   |                             |   |  |                                    |
| Accrued Vacation Pay   | \$24,246                 | \$24,246                                    | \$24,246                    | \$24,246  | \$24,246                                   | \$24,246                           |
| Medical / Life & Outplacement  | \$0                      | \$44,434                                    | \$0                         | \$44,434  | \$0  | \$0                                |
| <b>Total</b>   | <b>\$24,246</b>          | <b>\$982,748</b>                            | <b>\$24,246</b>             | <b>\$1,833,272</b>  | <b>\$699,562</b>                           | <b>\$452,582</b>                   |

(1) Performance-based restricted stock granted in 2009 and 2010 and all service-based restricted stock awards are treated as fully earned at target level, and the period of restriction lapses upon a change in control and subsequent termination of employment.

(2) Performance-based restricted stock awards granted in 2011 are earned on a pro-rata basis as determined by the performance of the Company on the closing date of the Change in Control. The amount recorded assumes performance at the closing date of the Change in Control results in the maximum payment being earned under those agreement(s).

(3) If Mr. Wolking terminates employment on account of his disability, he will continue as a participant through the service and performance period, and 2009, 2010 and 2011 performance-based shares (including forfeiture of some or all shares) will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(4) If Mr. Wolking dies while an employee, the (i) period of restriction will lapse, and (ii) 2009, 2010 and 2011 performance-based shares will be treated as earned at the target level.

**Table of Contents**

Barbara A. Murphy

Senior EVP, Chief Banking Officer

| Executive Benefits and<br>Payments Upon Termination<br>Compensation: | Voluntary<br>Termination/<br>Retirement | Involuntary Not<br>for Cause<br>Termination | For<br>Cause<br>Termination | Involuntary or<br>Good Reason<br>Termination Upon<br>Change in<br>Control | Termination on<br>Account of<br>Disability | Termination on<br>Account of Death |
|--|---|---|-----------------------------|---|--|------------------------------------|
| Base Salary  | \$0                                     | \$718,200                                   | \$0                         | \$0   | \$0  | \$0                                |
| Short-Term Incentive   | \$0                                     | \$323,190                                   | \$0                         | \$0   | \$0  | \$0                                |
| Change in Control Severance  | \$0                                     | \$0   | \$0                         | \$1,562,085   | \$0  | \$0                                |
| Long Term Incentive  |   |   |                             |   |  |                                    |
| Performance-Based Restricted<br>Shares                               |   |   |                             |   |  |                                    |
| 2009-2011 (Performance Period)                                       | \$109,510 (1)                           | \$0   | \$0                         | \$54,755 (2)  | \$109,510 (4)                              | \$54,755 (5)                       |
| 2010-2012 (Performance Period)                                       | \$174,750 (1)                           | \$0   | \$0                         | \$87,375 (2)  | \$174,750 (4)                              | \$87,375 (5)                       |
| 2011-2013 (Performance Period)                                       | \$209,700 (1)                           | \$0   | \$0                         | \$69,900 (3)  | \$209,700 (4)                              | \$104,850 (5)                      |
| Stock Options  |   |   |                             |   |  |                                    |
| Unvested & Accelerated   | \$0                                     | \$0   | \$0                         | \$103   | \$0  | \$0                                |
| Service-Based Restricted Stock                                       |   |   |                             |   |  |                                    |
| Unvested Awards  | \$181,356 (1)                           | \$0   | \$0                         | \$181,356 (2)   | \$181,356 (4)                              | \$181,356 (5)                      |
| <b>Benefits and Perquisites:</b>                                     |   |   |                             |   |  |                                    |
| Accrued Vacation Pay   | \$27,623                                | \$27,623                                    | \$27,623                    | \$27,623  | \$27,623                                   | \$27,623                           |
| Medical / Life & Outplacement  | \$0                                     | \$28,522                                    | \$0                         | \$28,522  | \$0  | \$0                                |
| <b>Total</b>   | <b>\$702,939</b>                        | <b>\$1,097,535</b>                          | <b>\$27,623</b>             | <b>\$2,011,719</b>  | <b>\$702,939</b>                           | <b>\$455,959</b>                   |

(1) If Ms. Murphy voluntarily terminates her employment, based upon her age and years of service, her termination would be classified as a retirement. As such, she will continue as a participant through the service and performance period, and her 2009, 2010 and 2011 performance-shares (including the forfeiture of some or all shares) and her unvested restricted stock will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(2) Performance-based restricted stock granted in 2009 and 2010 and all service-based restricted stock awards are treated as fully earned at target level, and the period of restriction lapses upon a change in control and subsequent termination of employment.

(3) Performance-based restricted stock awards granted in 2011 are earned on a pro-rata basis as determined by the performance of the Company on the closing date of the Change in Control. The amount recorded assumes performance at the closing date of the Change in Control results in the maximum payment being earned under those agreement(s).

(4) If Ms. Murphy terminates employment on account of her disability, she will continue as a participant through the service and performance period, and 2009, 2010 and 2011 performance-based restricted shares (including forfeiture of some or all shares) and her unvested restricted stock will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(5) If Ms. Murphy dies while an employee, the (i) period of restriction will lapse, and (ii) 2009, 2010, and 2011 performance-based shares will be treated as earned at the target level.



**Table of Contents**

Daryl D. Moore

EVP, Chief Credit Officer

| Executive Benefits and<br>Payments Upon Termination<br>Compensation: | Voluntary<br>Termination | Involuntary Not<br>for Cause<br>Termination | For<br>Cause<br>Termination | Involuntary or<br>Good Reason<br>Termination Upon<br>Change in<br>Control | Termination<br>on<br>Account<br>of<br>Disability | Termination<br>on Account of Death |
|--|--------------------------|---|-----------------------------|---|--|------------------------------------|
| Base Salary  | \$0                      | \$299,059                                   | \$0                         | \$0   | \$0  | \$0                                |
| Short-Term Incentive   | \$0                      | \$119,624                                   | \$0                         | \$0   | \$0  | \$0                                |
| Change in Control Severance  | \$0                      | \$0   | \$0                         | \$837,365   | \$0  | \$0                                |
| Long Term Incentive  |                          |   |                             |   |  |                                    |
| Performance-Based Restricted Shares                                  |                          |   |                             |   |  |                                    |
| 2009-2011 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$33,785 (1)  | \$67,570 (3)                                     | \$33,785 (4)                       |
| 2010-2012 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$53,590 (1)  | \$107,180 (3)                                    | \$53,590 (4)                       |
| 2011-2013 (Performance Period)                                       | \$0                      | \$0   | \$0                         | \$38,833 (2)  | \$116,500 (3)                                    | \$58,250 (4)                       |
| Stock Options Unvested &<br>Accelerated                              | \$0                      | \$0   | \$0                         | \$62  | \$0  | \$0                                |
| Service-Based Restricted Stock<br>Unvested Awards                    | \$0                      | \$0   | \$0                         | \$105,246 (1)   | \$105,246 (3)                                    | \$105,246 (4)                      |
| <b>Benefits and Perquisites:</b>                                     |                          |   |                             |   |  |                                    |
| Accrued Vacation Pay   | \$28,756                 | \$28,756                                    | \$28,756                    | \$28,756  | \$28,756   | \$28,756                           |
| Medical / Life & Outplacement  | \$0                      | \$28,794                                    | \$0                         | \$42,588  | \$0  | \$0                                |
| <b>Total</b>   | <b>\$28,756</b>          | <b>\$476,233</b>                            | <b>\$28,756</b>             | <b>\$1,140,226</b>  | <b>\$425,252</b>                                 | <b>\$279,627</b>                   |

(1) Performance-based restricted stock granted in 2009 and 2010 and all service-based restricted stock awards are treated as fully earned at target level, and the period of restriction lapses upon a change in control and subsequent termination of employment.

(2) Performance-based restricted stock awards granted in 2011 are earned on a pro-rata basis as determined by the performance of the Company on the closing date of the Change in Control. The amount recorded assumes performance at the closing date of the Change in Control results in the maximum payment being earned under those agreement(s).

(3) If Mr. Moore terminates employment on account of his disability, he will continue as a participant through the service and performance period, and his 2009, 2010 and 2011 performance-based shares (including forfeiture of some or all shares) and unvested restricted stock will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(4) If Mr. Moore dies while an employee, the (i) period of restriction will lapse, and (ii) 2009, 2010 and 2011 performance-based shares will be treated as earned at the target level.

**Table of Contents**

Jeffrey L. Knight

EVP, Chief Legal Counsel

| Executive Benefits and                         | Voluntary       | Involuntary      | For Cause       | Involuntary or   | Termination      | Termination         |
|--|-----------------|------------------|-----------------|------------------|------------------|---------------------|
| Payments Upon Termination                      | Termination     | Not for          | Termination     | Good Reason      | on               | on Account of Death |
| Compensation:                                  |                 | Cause            |                 | Termination Upon | Account          |                     |
|  |                 | Termination      |                 | Change in        | of               |                     |
|  |                 |                  |                 | Control          | Disability       |                     |
| Base Salary                                    | \$0             | \$280,000        | \$0             | \$0              | \$0              | \$0                 |
| Short-Term Incentive                           | \$0             | \$112,000        | \$0             | \$0              | \$0              | \$0                 |
| Change in Control Severance                    | \$0             | \$0              | \$0             | \$784,000        | \$0              | \$0                 |
| Long Term Incentive                            |                 |                  |                 |                  |                  |                     |
| Performance-Based Restricted Shares            |                 |                  |                 |                  |                  |                     |
| 2009-2011 (Performance Period)                 | \$0             | \$0              | \$0             | \$41,940(1)      | \$83,880(3)      | \$41,940(4)         |
| 2010-2012 (Performance Period)                 | \$0             | \$0              | \$0             | \$66,405(1)      | \$132,810(3)     | \$66,405(4)         |
| 2011-2013 (Performance Period)                 | \$0             | \$0              | \$0             | \$38,833(2)      | \$116,500(3)     | \$58,250(4)         |
| Stock Options Unvested & Accelerated           | \$0             | \$0              | \$0             | \$76             | \$0              | \$0                 |
| Service-Based Restricted Stock Unvested Awards | \$0             | \$0              | \$0             | \$116,500(1)     | \$116,500(3)     | \$116,500(4)        |
| <b>Benefits and Perquisites:</b>               |                 |                  |                 |                  |                  |                     |
| Accrued Vacation Pay                           | \$21,538        | \$21,538         | \$21,538        | \$21,538         | \$21,538         | \$21,538            |
| Medical / Life & Outplacement                  | \$0             | \$28,752         | \$0             | \$42,503         | \$0              | \$0                 |
| <b>Reduction for 280G</b>                      |                 |                  |                 | -\$177,347(5)    |                  |                     |
| <b>Total</b>                                   | <b>\$21,538</b> | <b>\$442,290</b> | <b>\$21,538</b> | <b>\$934,448</b> | <b>\$471,228</b> | <b>\$304,633</b>    |

(1) Performance-based restricted stock granted in 2009 and 2010 and all service-based restricted stock awards are treated as fully earned at target level, and the period of restriction lapses upon a change in control and subsequent termination of employment.

(2) Performance-based restricted stock awards granted in 2011 are earned on a pro-rata basis as determined by the performance of the Company on the closing date of the Change in Control. The amount recorded assumes performance at the closing date of the Change in Control results in the maximum payment being earned under those agreement(s).

(3) If Mr. Knight terminates employment on account of his disability, he will continue as a participant through the service and performance period, and his 2009, 2010 and 2011 performance-based shares (including forfeiture of some or all shares) and unvested restricted stock will be determined at the end of those periods in accordance with the agreement(s) and paid shortly after the end of the period. The amount recorded assumes the maximum payment is earned under those agreement(s).

(4) If Mr. Knight dies while an employee, the (i) period of restriction will lapse, and (ii) 2009, 2010 and 2011 performance-based shares will be treated as earned at the target level.

(5) Under Code Section 4999, a 20% excise tax is imposed on change in control payments that are excess parachute payments within the meaning of Section 280G(b)(1). In order to provide Mr. Knight with the best after tax benefit in accordance with his Severance and Change In Control agreement, his payment would be reduced to the safe harbor amount which is three times his base amount less \$1.

Table of Contents

### Item 3: Approval of an Advisory Proposal on the Executive Compensation

As required by Section 14A of the Securities Exchange Act, we are seeking advisory shareholder approval of the compensation of the Named Executive Officers as disclosed in this Proxy Statement. This proposal, commonly known as a "say-on-pay" proposal, gives you as a shareholder the opportunity to endorse or not endorse our executive pay program through the following resolution:

**RESOLVED**, that the shareholders advise that they approve the compensation of the Company's Named Executive Officers, as disclosed pursuant to the disclosure rules of the Securities and Exchange Commission (which disclosure shall include the "Compensation Discussion and Analysis" section and the compensation tables and any related material in the "Compensation of Named Executive Officers" section of this Proxy Statement for its 2012 Annual Meeting).

In response to the voting results for the frequency of the "say-on-pay" vote at the 2011 Annual Meeting, we are providing shareholders with the opportunity to annually provide a "say-on-pay" advisory vote.

Because your vote is advisory, it will not be binding upon the Board. However, the Compensation and Management Development Committee will take into account the outcome of the vote when considering future executive compensation arrangements.

We believe that our compensation policies and procedures are centered on a pay-for-performance culture and are strongly aligned with the long-term interests of our shareholders. We also believe that both the Company and shareholders benefit from responsive corporate governance policies and constructive and consistent dialogue.

We believe that our CEO and executive management have successfully managed the Company through the most recent economic downturn. We have been committed to achieving a high level of return to our shareholders throughout this difficult economic period and have executed three strategic mergers in the past twelve months that have provided and will provide future growth to our shareholders.

Our Board of Directors recommends a vote FOR the resolution because it believes the policies and practices described in the Compensation Discussion and Analysis are effective in achieving the Company's goals of rewarding sustained financial performance, aligning our executives long-term interests with those of the shareholders and also motivating the executives to remain with the Company for long and productive careers.

Shareholders are encouraged to carefully review the information provided in this proxy statement regarding the compensation of our Named Executive Officers in the section captioned "Compensation Discussion and Analysis" beginning on page 33.

**The Board unanimously recommends a vote FOR approval of the advisory vote on Executive Compensation.**

Table of Contents

**Item 4: Ratification of the Appointment of  
Independent Registered Public Accounting Firm**

The Board proposes the ratification by the shareholders at the Annual Meeting of the Audit Committee's appointment of Crowe Horwath LLP, Indianapolis, Indiana, as independent registered public accounting firm for the Company and its subsidiaries for the fiscal year ending December 31, 2012. Although ratification by the shareholders of the Company's independent registered public accounting firm is not required, the Company deems it desirable to continue its established practice of submitting such selection to the shareholders. In the event the appointment of Crowe Horwath LLP is not ratified by the shareholders, the Audit Committee of the Board will consider appointment of other independent registered public accounting firms for the fiscal year ending December 31, 2012. A representative of Crowe Horwath LLP will be present at the Annual Meeting and will have the opportunity to make a statement or respond to any questions that shareholders may have.

**Our Board unanimously recommends that you vote FOR the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012.**

**Table of Contents****Independent Accountants Fees**

The following table sets forth the aggregate fees for audit services rendered by Crowe Horwath LLP in connection with the consolidated financial statements and reports for fiscal year 2011 and 2010 and for other services rendered during fiscal year 2011 and 2010 on behalf of the Company and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services. The aggregate fees included in Audit are fees billed or expected to be billed for the fiscal years for the audit of the registrant's annual financial statements and internal controls and review of financial statements and statutory and regulatory filings or engagements. The aggregate fees included in each of the other categories are fees billed for services rendered during the fiscal years.

|                           | Fiscal 2011  | Fiscal 2010 |
|---------------------------|--------------|-------------|
| <b>Audit Fees</b>         | \$ 1,131,000 | \$ 911,500  |
| <b>Audit Related Fees</b> | 129,500      | 0           |
| <b>Tax Fees</b>           | 0            | 0           |
| <b>All Other Fees</b>     | 694,005      | 0           |
|                           | \$ 1,954,505 | \$ 911,500  |

**Audit Fees:**

Consists of fees billed for professional services rendered for (i) the audit of Old National's consolidated financial statements and the integrated audit of internal control, (ii) the review of the interim condensed consolidated financial statements included in quarterly reports on Form 10-Q, (iii) the services that are normally provided by the principal accountant in connection with statutory and regulatory filings or engagements, and (iv) other services that generally only the principal accountant can provide. These services included fees for the audit of the financial statements of Indiana Old National Insurance Company in 2011 and 2010 and for HUD audits for 2011 and 2010.

**Audit-Related Fees:**

Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under Audit Fees. These services may include employee benefit plan audits, accounting consultations in connection with acquisitions and divestitures, attest services that are not required by statute or regulation, and consultations concerning financial accounting and reporting standards. These fees represent work performed in 2011 on an acquisition consummated by the Company.

**Tax Fees:**

Consists of fees billed for tax compliance/preparation and other tax services. Tax compliance/preparation may consist of fees billed for professional services related to federal and state tax compliance, assistance with tax audits and appeals and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services may consist of fees billed for other miscellaneous tax consulting and planning and for individual income tax preparation.

**All Other Fees:**

Consists of fees for all other services provided other than those reported above. For 2011, the fees were paid for non-audit related consulting services performed by Crowe Horwath related to improvements in the Company's process for compliance with non-financial and non-accounting regulatory requirements.

## **Table of Contents**

### **Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Accountants**

All of the fees and services described above under **Audit Fees** , **Audit-Related Fees** , **Tax Fees** and **All Other Fees** were pre-approved by the Audit Committee. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent accountants. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent accountants. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent auditor is required to provide detailed supporting documentation at the time of approval. The Audit Committee may delegate pre-approval authority to one or more of its members. Such a member must report any decisions to the Audit Committee at the next scheduled meeting.

## **Report of the Audit Committee**

This Audit Committee report is provided to inform shareholders of the Audit Committee oversight with respect to the Company's financial reporting. The Audit Committee operates under a written Audit Committee Charter which meets the requirements of the SEC and the NYSE.

### **Independence of Audit Committee Members**

The Audit Committee is comprised of four members of the Board of the Company. All of the members of the Audit Committee are independent from management and the Company (as independence is currently defined in the NYSE's listing requirements).

### **Scope of Responsibilities**

The Audit Committee's responsibilities are primarily derived from its role in the general oversight of the financial reporting process. That role includes the creation and maintenance of a strong internal control environment and a process of assessing the risk of fraud in the reporting process. The committee's responsibilities include the authority and the responsibility of selecting, evaluating and, where appropriate, replacing the independent accountants; reviewing the scope, conduct and results of audits performed; making inquiries as to the differences of views, if any, between such independent accountants and officers and employees of the Company and subsidiaries with respect to the financial statements and records and accounting policies, principles, methods and systems; considering whether the provision by the independent accountants of services for the Company, in addition to the annual audit examination, is compatible with maintaining the independent accountants independence; reviewing the policies and guidelines of the Company and subsidiaries designed to ensure the proper use and accounting for corporate assets, and the activities of the Company's internal audit department; pre-approving all auditing services and permissible non-audit services provided to the Company by the independent accountants; reviewing any significant disagreements between management and the independent accountants in connection with the preparation of the financial statements; and discussing the quality and adequacy of the Company's internal controls with management, the internal auditors and the independent accountants.

While the primary responsibility for compliance activities is with the Risk and Credit Policy Committee, the Audit Committee has responsibility for the general oversight of the Company's compliance with banking laws and regulations.

## **Table of Contents**

### **2011 Work of the Audit Committee**

The Audit Committee engaged Crowe Horwath LLP as the Company's independent registered public accounting firm as of and for the period ending December 31, 2011. The selection of Crowe Horwath LLP was ratified by the shareholders of the Company at the 2011 Annual Meeting.

In fulfilling its oversight responsibilities in 2011, the Audit Committee continued to closely monitor the financial reporting and accounting practices of the Company, including the establishment of an appropriate level of loan loss reserve. The Audit Committee also requires periodic updates from management with respect to other critical accounting areas, including but not limited to, financial derivatives, goodwill and intangibles, securities impairment, purchase accounting and income taxes.

Related to the January 1, 2011 acquisition of Monroe Bancorp and the July 29, 2011 FDIC- assisted purchase of certain assets of Integra Bank, the Audit Committee attended training regarding the accounting for such acquisitions. The committee monitored the accounting for, and the reporting of, those transactions at closing ( day one ) and subsequent to closing ( day two ).

During the year, the Audit Committee continued to monitor the Company's compliance with the internal control certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee, in its designated role as the committee assigned the responsibility for general oversight of the Company's compliance with banking laws and regulations, met regularly with the Company's Chief Risk Officer and other management personnel to review the Company's compliance with banking laws and regulations and receive updates regarding regulatory matters. In addition, the Chairman of the Audit Committee is a member of the Company's Risk and Credit Policy Committee, which has primary oversight of the credit administration and compliance activities of the Company. Participation by Audit Committee members on the Risk and Credit Policy Committee also enhances the Audit Committee's ability to monitor the Company's exposure to business risk, including the risk of fraud. In addition, several members of the Audit Committee are members of the Board's Funds Management Committee, which provides the Audit Committee with insight into the Company's mitigation initiatives with respect to interest rate risk, liquidity risk, use of financial derivatives and other exposures.

Throughout the year, the Audit Committee was involved in monitoring the Ethicspoint® reporting system which was acquired and implemented in 2003 to assist the Audit Committee in administering the anonymous complaint procedures outlined in the Code of Business Conduct and Ethics. The Sarbanes-Oxley Act of 2002 required that the Audit Committee establish procedures for the confidential submission of employee concerns regarding questionable accounting, internal controls or auditing matters. The Audit Committee will continue to ensure that the Company is in compliance with all applicable rules and regulations with respect to the submission to the Audit Committee of anonymous complaints from employees of the Company.

The Company's Chief Audit Executive also serves as the Company's Chief Ethics Officer. The Chief Audit Executive reports to the Chair of the Company's Audit Committee. In December 2009, the Company received an ethics certification from Ethisphere. The Ethics Insid® certification is the only independent verification of a company's ethical practices. The annual certification is exclusively granted to organizations that can demonstrably prove the existence of a superior employee and leadership culture that promotes ethical, responsible and sustainable business practices. Companies that receive the certification must have adequate systems and programs in place to reasonably prevent compliance failures and ethics breakdowns.

### **Review with Management and Independent Accountants**

The Audit Committee has reviewed and discussed the audited financial statements for the year ended December 31, 2011 and the footnotes thereto, with management and the independent accountants, Crowe Horwath LLP. The Audit Committee also received from management drafts of the Company's Quarterly Reports on Form 10-Q and reviewed drafts of the Company's earnings releases prior to public dissemination.

## **Table of Contents**

The Audit Committee periodically reviewed with the independent accountants their assessment of the progress being made by the Company and by the independent accountants in achieving the internal control certification and attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

The Audit Committee reviewed with the Company's internal auditors and independent accountants the overall scope and plans for their respective audit activities. The Audit Committee also met with its internal auditors and the independent accountants, with and without management present, to discuss the results of their examinations and their evaluations of internal controls. Additionally, the Audit Committee reviewed and discussed with the independent accountants, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality and acceptability of the Company's financial reporting and such other matters as are required to be discussed with the Audit Committee pursuant to Statement on Auditing Standards No. 61, as amended.

The Audit Committee discussed with Crowe Horwath LLP their independence from management and the Company, and received the written disclosures and the letter from Crowe Horwath LLP required by PCAOB Rule 3526. As disclosed on page 66 under "Independent Accountant Fees," after thorough review and finding no conflict of interest or any potential impact on independence, the Audit Committee approved non-audit related consulting services to be performed by Crowe Horwath related to improvement in the Company's processes for compliance with selected non-financial and non-accounting regulatory requirements.

### **Audit Committee Financial Expert**

The Board determined that Andrew E. Goebel is an Audit Committee Financial Expert as defined by the SEC. A description of Mr. Goebel's relevant experience can be found in his biography on page 16. Mr. Goebel is independent as that term is defined in the NYSE listing standards.

### **Appointment of Crowe Horwath LLP**

The Audit Committee has appointed Crowe Horwath LLP as the Company's independent registered public accounting firm as of and for the period ending December 31, 2012.

### **Annual Committee Review of Charter and Performance Evaluation**

As required by the Audit Committee's Charter, in early 2012 the Audit Committee reviewed the Charter and made several minor modifications. Also, as required by the Audit Committee's Charter, the Audit Committee conducted an annual performance evaluation, the results of which have been discussed with the Audit Committee members and shared with the Corporate Governance and Nominating Committee.

### **Conclusion**

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC.

Submitted by,

Members of the Audit Committee

Andrew E. Goebel, Chairman

Phelps L. Lambert

Arthur H. McElwee, Jr.

Marjorie Z. Soyugenc



**Table of Contents**

**Transactions with Management and Others**

The executive officers and Directors of the Company are at present, as in the past, customers of one or more of the Company's subsidiaries and have had and expect in the future to have similar transactions with the subsidiaries in the ordinary course of business. In addition, some of the executive officers and Directors of the Company are at present, as in the past, officers, Directors or principal shareholders of corporations which are customers of these subsidiaries and which have had and expect to have transactions with the subsidiaries in the ordinary course of business. All such transactions were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features.

Related party transactions are evaluated on a case-by-case basis in accordance with the applicable provisions of the By-Laws and the Code of Business Conduct and Ethics of the Company.

The provisions of the By-Laws apply to contracts or transactions between the Company and

any one or more of its Directors, members or employees,

any firm of which one or more of its Directors are members or employees or in which they are interested, or

any corporation or association of which one or more of its Directors are stockholders, members, Directors, officers, or employees or in which they are interested.

Contracts or transactions between the Company and the persons described above are valid for all purposes, if the fact of such interest is disclosed to the Board and the Board authorizes, approves and ratifies such contract or transaction by a vote of a majority of the Directors present at the meeting at which the contract or transaction is considered. In the case where a Director has an interest in the transaction or contract, the Director is permitted to attend the meeting of the Board at which the transaction is considered and may be counted for purposes of determining if a quorum is present. The vote of the interested Director, may not, however, be counted for purposes of determining whether the transaction is approved by a majority of the Directors present.

Except in the case where such transactions are specifically approved by the Board, the Company's Code of Business Conduct and Ethics prohibits transactions with related persons which result in a conflict of interest. For this purpose, related persons include the Directors, executive officers or their immediate family members, or shareholders owning five percent or greater of the Company's outstanding stock. Such transactions may be approved by the Board upon a determination that the transactions are in the best interests of the Company.

The Company has made, and expects to make in the future through its bank subsidiary, loans in the ordinary course of business to Directors and officers of the Company, members of their immediate families and corporations and other entities in which they may have a controlling interest. The loans to such persons are made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with person not related to the Company or Old National Bank, and the loans did not involve more than normal risk of collectibility or present other unfavorable features.

The Company paid \$536,471.37, either directly or indirectly, to Industrial Contractors, Inc. for communications cabling and miscellaneous construction and mechanical services and \$33,930.68, either directly or indirectly, to Professional Consultants, Inc. for architectural and design work at the Company's headquarters building in Evansville and at other Old National Bank financial centers in 2011. Mr. Braun is currently a Director of the Company. During 2011, Alan W. Braun was Chairman, President and CEO of Industrial Contractors, Inc. and Executive Vice President of Professional Consultants, Inc. On December 28, 2011, Mr. Braun announced the sale of Industrial Contractors, Inc. and its subsidiaries to Skanska USA and no longer owns Industrial Contractors, Inc.

**Table of Contents**

**Shareholder Proposals and Director Nominations  
for the 2013 Annual Meeting**

Proposals submitted by shareholders under Rule 14a-8 of the SEC to be presented at the 2013 Annual Meeting must be received by the Company at its principal executive office no later than November 15, 2012, to be considered for inclusion in the proxy statement and form of proxy relating to that meeting. Any such proposals should be sent to the attention of the Corporate Secretary of the Company at P.O. Box 718, Evansville, Indiana 47705-0718. If notice of any other shareholder proposal intended to be presented at the 2013 Annual Meeting is not received by the Company on or before February 11, 2013, the proxy solicited by the Board of the Company for use in connection with that meeting may confer authority on the proxies to vote in their discretion on such proposal, without any discussion in the Company's proxy statement for that meeting of either the proposal or how such proxies intend to exercise their voting discretion.

All nominations of persons to serve as Directors of the Company must be made in accordance with the requirements contained in the Company's By-Laws. See the description of the nomination procedures contained on page 7.

**Annual Report**

**Upon written request, the Company will provide without charge to each shareholder who does not otherwise receive a copy of the Company's annual report to shareholders a copy of the Company's annual report on Form 10-K which is required to be filed with the SEC for the year ended December 31, 2011. Address all requests to:**

Joan Kissel, Senior Vice President & Controller

Old National Bancorp

P. O. Box 718

Evansville, Indiana 47705-0718

Table of Contents

## Section 16(a) Beneficial Ownership

### Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Directors and executive officers and persons who beneficially own more than 10% of the Company common stock shares to file with the SEC reports showing ownership of and changes of ownership in the Company's common shares and other equity securities. On the basis of reports and representations submitted by the Company's Directors, executive officers, and greater-than-10% owners, the Company believes that all required Section 16(a) filings for fiscal year 2011 were timely made except for the following: Larry Dunigan filed a Form 4 on August 15, 2011, reporting one late transaction.

### Other Matters

The Board of the Company does not know of any matters for action by shareholders at the 2012 Annual Meeting other than the matters described in the accompanying Notice of Annual Meeting. However, the enclosed proxy will confer upon the named proxies discretionary authority with respect to matters which are not known to the Board at the time of the printing hereof and which may properly come before the Annual Meeting. It is the intention of the persons named as proxies to vote pursuant to the proxy with respect to such matters in accordance with their best judgment.

It is important that proxies be returned promptly. **Whether or not you expect to attend the Annual Meeting in person, shareholders are requested to complete, sign and return their proxies in order that a quorum for the Annual Meeting may be assured.** You may also vote your proxy by Internet. If you do not vote your proxy by Internet, then it may be mailed in the enclosed envelope, to which no postage need be affixed.

**Table of Contents**

Appendix I

**OLD NATIONAL BANCORP**

**AMENDED AND RESTATED 2008 INCENTIVE COMPENSATION PLAN**

**(Amended and Restated as of [May 10, 2012])**

**ARTICLE I.**

**PURPOSE AND DURATION**

Section 1.01. *Establishment of the Plan.* Old National Bancorp, an Indiana corporation, hereby establishes an equity-based incentive compensation plan, to be known as the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan ( *Plan* ), amended and restated as of \_\_\_\_\_, 2012. The Plan was initially approved by the shareholders of the Company on May 15, 2008. This amendment and restatement of the Plan was adopted by the Company's Board on January 26, 2012, contingent on shareholder approval, and it became effective upon the shareholders' approval of the Plan on \_\_\_\_\_, 2012.

Section 1.02. *Purposes of the Plan.* The purposes of the Plan are to further the growth and financial success of the Company and its Affiliates by aligning the interests of Participants more closely with the interests of the Company's shareholders; to provide Participants with an additional incentive to excel in performing services for the Company and its Affiliates, and to promote teamwork among Participants. The Plan is further intended to provide flexibility to the Company and its Affiliates in attracting, motivating, and retaining key employees. To achieve these objectives, the Plan provides for the grant of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Shares, and Short-Term Incentive Awards.

**ARTICLE II.**

**DEFINITIONS AND RULES OF INTERPRETATION**

Section 2.01. *Definitions.* For purposes of the Plan, the following words and phrases shall have the following meanings, unless a different meaning is plainly required by the context:

- (a) *Act* or *1934 Act* means the Securities Exchange Act of 1934, as amended from time to time.
- (b) *Affiliate* means any corporation or any other entity (including, but not limited to, a partnership, limited liability company, joint venture, or Subsidiary) controlling, controlled by, or under common control with the Company.
- (c) *Affiliated SAR* means an SAR that is granted in connection with a related Option and is deemed to be exercised at the same time as the related Option is exercised.
- (d) *Aggregate Share Limit* has the meaning specified in Section 4.01(a).
- (e) *Award* means, individually or collectively, a grant under the Plan of Nonqualified Stock Options, Incentive Stock Options, Stock Appreciation Rights, Service-Based Restricted Stock, Performance-Based Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Shares, or Short-Term Incentive Awards.

- (f) *Award Agreement* means the written agreement that sets forth the terms and conditions applicable to an Award.

---

**Table of Contents**

- (g) *Board* or *Board of Directors* means the Company's Board of Directors, as constituted from time to time.
- (h) *Cashless Exercise* means, if there is a public market for the Shares, the payment of the Exercise Price for Options (i) through a same day sale commitment from the Participant and a FINRA member firm, whereby the Participant irrevocably elects to exercise the Option and to sell a portion of the Shares so purchased to pay the Exercise Price, and whereby the FINRA member firm irrevocably commits upon receipt of such stock to forward the Exercise Price directly to the Company, or (ii) through a margin commitment from the Participant and a FINRA member firm whereby the Participant irrevocably elects to exercise the Option and to pledge the Shares so purchased to the FINRA member firm in a margin account as security for a loan from the FINRA member firm in the amount of the Exercise Price and whereby the FINRA member firm irrevocably commits upon receipt of such Shares to forward the Exercise Price directly to the Company.
- (i) *Cause* means, for purposes of determining whether and when a Participant has incurred a Termination of Service for Cause, (i) any act or failure to act that permits the Company or an Affiliate to terminate the written agreement or arrangement between the Participant and the Company or Affiliate for cause, as defined in such agreement or arrangement or, (ii) if there is no such agreement or arrangement, or the agreement or arrangement does not define the term cause, any act or failure to act deemed to constitute cause under the Company's established and applied practices, policies, or guidelines applicable to the Participant.
- (j) *Change in Control* has the meaning specified in Section 15.02.
- (k) *Code* means the Internal Revenue Code of 1986, as amended from time to time.
- (l) *Committee* means the Compensation and Management Development Committee of the Board or such other committee appointed by the Board pursuant to Section 3.01 to administer the Plan.
- (m) *Company* means Old National Bancorp, an Indiana corporation, and any successor thereto.
- (n) *Covered Employee* means an Employee who is a covered employee as defined in Code Section 162(m)(3).
- (o) *Director* means any individual who is a member of the Board of Directors.
- (p) *Effective Date* means May 15, 2008, which is the date on which the Company's shareholders initially approved the Plan.
- (q) *Employee* means an officer or key employee of the Company or an Affiliate.
- (r) *Exercise Price* means the price at which a Share may be purchased by a Participant pursuant to the exercise of an Option.
- (s) *Fair Market Value* means, with respect to a Share as of a particular date, the per share closing price for the Shares on such date, as reported by the principal exchange or market over which the Shares are then listed or regularly traded. If Shares are not traded over the applicable exchange or market on the date as of which the determination of Fair Market Value is made, Fair Market Value means the per share closing price for the Shares on the most recent preceding date on which the Shares

## Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

were traded over such exchange or market. If the Shares are not traded on national securities exchange or market, the Fair Market Value of a Share shall be determined by the Committee in a reasonable manner pursuant to a reasonable valuation method. Notwithstanding anything to the contrary in the foregoing, as of any date, the Fair Market Value

I-2

**Table of Contents**

of a Share shall be determined in a manner consistent with avoiding adverse tax consequences under Code Section 409A and, with respect to an Incentive Stock Option, in the manner required by Code Section 422.

- (t) *FINRA* means the Financial Industry Regulatory Authority.
- (u) *Fiscal Year* means the annual accounting period of the Company.
- (v) *Freestanding SAR* means an SAR that is granted independently of any Option.
- (w) *Grant Date* means the date specified by the Committee or the Board on which a grant of an Award under this Plan will become effective, which date will not be earlier than the date on which the Committee or the Board takes action with respect thereto.
- (x) *Incentive Stock Option* means an option to purchase Shares that is granted pursuant to the Plan, is designated as an incentive stock option, and satisfies the requirements of Code Section 422.
- (y) *1999 Plan* means the Old National Bancorp 1999 Equity Incentive Plan, which was approved by shareholders on April 15, 1999.
- (z) *Nonqualified Stock Option* means an option to purchase Shares that is granted pursuant to the Plan and is not an Incentive Stock Option.
- (aa) *Option* means an Incentive Stock Option or a Nonqualified Stock Option.
- (bb) *Option Period* means the period during which an Option is exercisable in accordance with the applicable Award Agreement and Article VI.
- (cc) *Participant* means an Employee to whom an Award has been granted.
- (dd) *Performance Award* means, with respect to a Participant for a Performance Period, an Award under which the amount payable to the Participant (if any) is contingent on the achievement of pre-established Performance Targets during the Performance Period.
- (ee) *Performance-Based Compensation* means compensation described in Code Section 162(m)(4)(C) that is excluded from applicable employee remuneration under Code Section 162(m).
- (ff) *Performance-Based Restricted Stock* means Restricted Stock that is subject to forfeiture unless specified Performance Targets are satisfied during the Performance Period.



- (gg) *Performance Measures* means, with respect to a Performance Award, the objective factors used to determine the amount (if any) payable pursuant to the Award. *Performance Measures* shall be based on any of the factors listed below, alone or in combination, as determined by the Committee. Such factors may be applied (i) on a corporate-wide or business-unit basis, (ii) including or excluding one or more Subsidiaries, (iii) in comparison with plan, budget, or prior performance, and/or (iv) on an absolute basis or in comparison with peer-group performance. The factors that may be used as *Performance Measures* are: (1) interest income; (2) net interest income; (3) interest expense; (4) net interest margin; (5) non-interest income; (6) fee income; (7) revenues; (8) securities gains or losses; (9) other income; (10) deposits; (11) deposit growth; (12) deposit market share; (13) non-interest expense; (14) total expenses; (15) efficiency ratio; (16) credit quality; (17) non-performing assets; (18) net charge offs; (19) provision expense; (20) operating income; (21) budgeted margin (which is business unit income before taxes excluding intangible amortization and unallocated expenses); (22) net

**Table of Contents**

income; (23) earnings per share; (24) return on assets; (25) return on equity; (26) regulatory capital ratios; (27) stock price; (28) dividends; (29) total shareholder return; (30) productivity; (31) customer satisfaction; (32) employee diversity goals or employee turnover; (33) specified objective social goals; and (34) goals relating to acquisitions or divestitures of subsidiaries or business units. Performance Measures may differ from Participant to Participant and from Award to Award.

- (hh) *Performance Period* means the period of time during which Performance Targets must be achieved with respect to an Award, as established by the Committee.
- (ii) *Performance Share* means an Award granted to a Participant pursuant to Section 10.01, the initial value of which is equal to the Fair Market Value of a Share on the Grant Date.
- (jj) *Performance Targets* means, with respect to a Performance Award for a Performance Period, the objective performance under the Performance Measures for that Performance Period that will result in payments under the Performance Award. Performance Targets may differ from Participant to Participant and Award to Award.
- (kk) *Performance Unit* means an Award granted to a Participant pursuant to Section 10.01, the initial value of which is established by the Committee on or before the Grant Date.
- (ll) *Period of Restriction* means the period during which a Share of Restricted Stock is subject to restrictions and a substantial risk of forfeiture.
- (mm) *Plan* means the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan, as set out in this instrument and as hereafter amended from time to time.
- (nn) *Restricted Stock* means an Award granted to a Participant pursuant to Section 8.01.
- (oo) *Restricted Stock Unit* means an Award granted to a Participant pursuant to Section 9.01 and represents the right of the Participant to receive Shares or cash at the end of the specified period.
- (pp) *Retirement* means, with respect to a Participant, Termination of Service after having (i) completed at least five years of service with the Company and (ii) reached age fifty-five (55). For purposes of the preceding sentence, service with an Affiliate shall be considered service with the Company.
- (qq) *Rule 16b-3* means Rule 16b-3 under the 1934 Act and any future rule or regulation amending, supplementing, or superseding such rule.
- (rr) *Section 16 Person* means a person subject to potential liability under Section 16(b) of the 1934 Act with respect to transactions that involve equity securities of the Company.
- (ss) *Service-Based Restricted Stock* means Restricted Stock with restrictions based only on the Participant's continued service to the Company and/or an Affiliate.

- (tt) *Shares* means the whole shares of issued and outstanding regular voting common stock, no par value, of the Company, whether presently or hereafter issued and outstanding, and any other stock or securities resulting from adjustment thereof as provided in 4.04, or the stock of any successor to the Company that is so designated for the purposes of the Plan.
  
- (uu) *Short-Term Incentive Award* means an Award pursuant to the STIP.
  
- (vv) *STIP* means the Old National Bancorp Short-Term Incentive Plan for Executive Employees, as set out in Appendix A, and as amended from time to time. The terms of the STIP are part of the Plan as if fully set out herein.

---

**Table of Contents**

- (ww) *Stock Appreciation Right* or *SAR* means an Award, granted alone or in connection or tandem with a related Option, that is designated as an SAR pursuant to Section 7.01.
- (xx) *Subsidiary* means any corporation (including, without limitation, any bank, savings association, financial institution, or financial services company) in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain then owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.
- (yy) *Tandem SAR* means an SAR that is granted in tandem with a related Option, the exercise of which requires forfeiture of the right to exercise the related Option with respect to an equal number of Shares and that is forfeited to the extent that the related Option is exercised.
- (zz) *Termination of Service, Terminates Service,* or any variation thereof means a separation from service within the meaning of Code Section 409A(a)(2)(A)(i).

Section 2.02. *Rules of Interpretation.* The following rules shall govern in interpreting the Plan:

- (a) Except to the extent preempted by United States federal law or as otherwise expressly provided herein, the Plan and all Award Agreements shall be interpreted in accordance with and governed by the internal laws of the State of Indiana without giving effect to any choice or conflict of law provisions, principles, or rules.
- (b) The Plan and all Awards are intended to be exempt from or comply with the requirements of Code Section 409A and all other applicable laws, and this Plan shall be so interpreted and administered. In addition to the general amendment rights of the Company with respect to the Plan, the Company specifically retains the unilateral right (but not the obligation) to make, prospectively or retroactively, any amendment to this Plan and any Award Agreement or any related document as it deems necessary or desirable to more fully address issues in connection with compliance with (or exemption from) Code Section 409A. In no event, however, shall this section or any other provisions of this Plan be construed to require the Company to provide any gross-up for the tax consequences of any provisions of, or payments under, this Plan. Except as may be expressly provided in another agreement to which the Company is bound, the Company and its Affiliates shall have no responsibility for tax or legal consequences to any Participant (or beneficiary) resulting from the terms or operation of this Plan.
- (c) Any reference herein to a provision of law, regulation, or rule shall be deemed to include a reference to the successor of such law, regulation, or rule.
- (d) To the extent consistent with the context, any masculine term shall include the feminine, and vice versa, and the singular shall include the plural, and vice versa.
- (e) If any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity of that provision shall not affect the remaining parts of the Plan, and the Plan shall be interpreted and enforced as if the illegal or invalid provision had never been included herein.
- (f) The grant of Awards and issuance of Shares hereunder shall be subject to all applicable statutes, laws, rules, and regulations and to such approvals and requirements as may be required from time to time by any governmental authority or securities exchange or market on which the Shares are then listed or traded.

- (g) The descriptive headings and sections of the Plan are provided for convenience of reference only and shall not serve as a basis for interpretation of the Plan.

---

**Table of Contents**

ARTICLE III.

ADMINISTRATION

Section 3.01. *The Committee.* The Committee shall administer the Plan and, subject to the provisions of the Plan and applicable law, may exercise its discretion in performing its administrative duties. The Committee shall consist of not fewer than three (3) Directors, and Committee action shall require the affirmative vote of a majority of its members. The members of the Committee shall be appointed by, and shall serve at the pleasure of, the Board of Directors. The Committee shall be composed solely of Directors who are both (i) non-employee directors under Rule 16b-3 and (ii) outside directors under Code Section 162(m)(3)(C)(ii).

Section 3.02. *Authority of the Committee.* Except as limited by law or by the Articles of Incorporation or By-Laws of the Company, and subject to the provisions of the Plan, the Committee shall have full power and discretion to (a) select the Employees who shall participate in the Plan; (b) determine the sizes and types of Awards; (c) determine the terms and conditions of Awards in a manner consistent with the Plan; (d) construe and interpret the Plan, all Award Agreements, and any other agreements or instruments entered into under the Plan; (e) establish, amend, or waive rules and regulations for the Plan's administration; and (f) amend the terms and conditions of any outstanding Award and applicable Award Agreement to the extent that such terms and conditions are within the discretion of the Committee, subject to the provisions of this Plan and any applicable law. Further, the Committee shall make all other determinations that may be necessary or advisable for the administration of the Plan. Each Award shall be evidenced by a written Award Agreement between the Company and the Participant and shall contain such terms and conditions established by the Committee consistent with the provisions of the Plan. Notwithstanding the preceding provisions, the Committee shall not have any authority to take any action with respect to an Award intended to constitute Performance-Based Compensation that would disqualify it from being such. Except as limited by applicable law or the Plan, the Committee may use its discretion to the maximum extent that it deems appropriate in administering the Plan.

Section 3.03. *Delegation by the Committee.* The Committee may delegate all or any part of its authority and powers under this Plan to one or more Directors or officers of the Company; provided, however, the Committee may not delegate its authority and powers (i) with respect to grants to Section 16 Persons, (ii) in a way that would jeopardize the Plan's satisfaction of Rule 16b-3, or (iii) with respect to grants intended to constitute Performance-Based Compensation.

Section 3.04. *Decisions Binding.* All determinations and decisions made by the Committee, the Board, or any delegate of the Committee pursuant to this Article shall be final, conclusive, and binding on all persons, including the Company and Participants.

ARTICLE IV.

SHARES SUBJECT TO THIS PLAN

Section 4.01. *Number of Shares.*

- (a) Subject to adjustment as provided in Section 4.04 and any limitations specified elsewhere in the Plan, the maximum number of Shares cumulatively available for issuance under the Plan pursuant to (i) the exercise of Options, (ii) the grant of Affiliated, Freestanding, and Tandem SARs, (iii) the grant of Restricted Stock, (iv) the payment of Performance Units and Performance Shares, and/or (v) the grant of Shares shall not exceed the sum of the following (the Aggregate Share Limit):
  - (i) one million Shares, plus
  - (ii) any Shares covered by an award under this Plan or the 1999 Plan that are forfeited or remain unpurchased or undistributed upon termination or expiration of the award, plus
  - (iii) any Shares available for awards under the 1999 Plan on the date of its termination.



---

**Table of Contents**

- (b) Shares covered by an Award granted under the Plan shall not be counted as used unless and until they are actually issued and delivered to a Participant and, therefore, the Aggregate Share Limit as of a given date shall not be reduced by any Shares relating to prior awards that have expired or have been forfeited or cancelled. If the Company pays the benefit provided by any Award granted under the Plan to the respective Participant in cash, any Shares that were covered by such Award will be available for issue or transfer hereunder. Notwithstanding anything to the contrary contained herein:
- (i) if Shares are tendered or otherwise used in payment of the Exercise Price of an Option, the total number of Shares covered by the Option being exercised shall count against the Aggregate Share Limit;
  - (ii) any Shares withheld by the Company to satisfy a tax withholding obligation shall count against the Aggregate Share Limit;
  - (iii) the number of Shares covered by a SAR, to the extent that it is exercised and settled in Shares, and whether or not Shares are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan and shall count against the Aggregate Share Limit; and
  - (iv) in the event that the Company repurchases Shares with proceeds from the exercise of an Option, those Shares will not be added to the Aggregate Share Limit.

If, under the Plan, a Participant has elected to give up the right to receive compensation in exchange for Shares based on their Fair Market Value, such Shares will not count against the Aggregate Share Limit.

- (c) Shares issued under the Plan may be authorized but unissued Shares, treasury Shares, reacquired Shares (including Shares purchased in the open market), or any combination thereof, as the Committee may from time to time determine. Shares covered by an Award that are forfeited or that remain unpurchased or undistributed upon termination or expiration of the Award may be made the subject of further Awards to the same or other Participants.
- (d) The total number of Shares actually issued or transferred by the Company upon the exercise of Incentive Stock Options will not exceed One Million (1,000,000) Shares.

Section 4.02. *Restrictions on Shares.* Shares issued upon exercise of an Award shall be subject to the terms and conditions specified herein and to such other terms, conditions, and restrictions as the Committee may determine or provide in the Award Agreement. The Company shall not be required to issue or deliver any certificates for Shares, cash, or other property before (i) the listing of such Shares on any stock exchange (or other public market) on which the Shares may then be listed (or regularly traded) and (ii) the completion of any registration or qualification of such shares under federal, state, local, or other law, or any ruling or regulation of any government body that the Committee determines to be necessary or advisable. The Company may cause any certificate for Shares to be delivered hereunder to be properly marked with a legend or other notation reflecting the limitations on transfer of such Shares as provided in the Plan or as the Committee may otherwise require. Participants, or any other persons entitled to benefits under the Plan, must furnish to the Committee such documents, evidence, data, or other information as the Committee considers necessary or desirable for the purpose of administering the Plan. The benefits under the Plan for each Participant and other person entitled to benefits hereunder are to be provided on the condition that such Participant or other person furnish full, true, and complete data, evidence, or other information, and that he or she promptly sign any document reasonably requested by the Committee. No fractional Shares shall be issued under the Plan; rather, fractional shares shall be aggregated and then rounded to the next lower whole Share.



---

**Table of Contents**

Section 4.03. *Shareholder Rights.* Except with respect to Restricted Stock as provided in Article VIII, no person shall have any rights of a shareholder (including, but not limited to, voting and dividend rights) as to Shares subject to an Award until, after proper exercise or vesting of the Award or other action as may be required by the Committee, such Shares shall have been recorded on the Company's official shareholder records (or the records of its transfer agents or registrars) as having been issued and transferred to the Participant. Upon exercise of the Award or any portion thereof, the Company shall have a reasonable period in which to issue and transfer the Shares to the Participant, and the Participant shall not be treated as a shareholder for any purpose before such issuance and transfer. No payment or adjustment shall be made for cash dividends or other rights for which the record date is prior to the date on which such Shares are recorded as issued and transferred in the Company's official shareholder records (or the records of its transfer agents or registrars), except as provided herein or in an Award Agreement.

Section 4.04. *Changes in Stock Subject to the Plan.* In the event of any change in the Shares by virtue of a stock dividend, stock split or consolidation, reorganization, merger, spinoff, or similar transaction, the Committee shall, as it deems appropriate, adjust (i) the aggregate number and kind of Shares available for Awards, (ii) the number and kind of Shares subject to an Award, (iii) the number of Shares available for certain Awards under the limits set forth in Article XIII of this Plan and (iv) the terms of the Award to prevent the dilution of Shares or the diminution of the Awards. Moreover, in the event of any such transaction or event or in the event of a Change in Control, the Committee, in its discretion, may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration (including cash), if any, as it, in good faith, may determine to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced in a manner that complies with Code Section 409A. In addition, for each Option or SAR with an Exercise Price greater than the consideration offered in connection with any such transaction or event or a Change in Control, the Committee may in its sole discretion elect to cancel such Option or SAR without any payment to the person holding such Option or SAR. The Committee's determination pursuant to this Section shall be final and conclusive, provided, however, no adjustment pursuant to this Section shall (i) be made to the extent that the adjustment would cause an Award to violate the requirements under Code Section 409A or (ii) change the One Hundred Thousand Dollar (\$100,000) limit on Incentive Stock Options first exercisable during a year, as set out in Section 6.01.

Section 4.05. *Shares Exempt from Minimum Vesting Requirements.* Notwithstanding any provision in the Plan to the contrary, up to 10% of Aggregate Share Limit, as may be adjusted under Section 4.04 of this Plan, may be used for (i) Awards granted under Articles VIII through X of this Plan that are not subject to the one-year vesting requirements for performance-based Awards set forth in Sections 8.04(a)(i), 9.04(a)(i) and 10.03(a)(i) of this Plan or the three-year vesting requirements for service-based Awards set forth in Sections 8.04(a)(ii) and 9.04(a)(ii) of this Plan and (ii) Awards of Shares granted pursuant to Article XI of this Plan.

ARTICLE V.

ELIGIBILITY

Except as herein provided, individuals who are Employees shall be eligible to participate in the Plan and be granted Awards. The Committee may, from time to time and in its sole discretion, select the Employees to be granted Awards and determine the terms and conditions with respect thereto each Award. In making any such selection and in determining the form of an Award, the Committee may give consideration to the functions and responsibilities of the Employee and the Employee's contributions to the Company or its Affiliates, the value of the Employee's services (past, present, and future) to the Company or its Affiliates, and such other factors as it deems relevant.

**Table of Contents**

ARTICLE VI.

STOCK OPTIONS

Section 6.01. *Grant of Options.* Subject to the terms and provisions of the Plan, the Committee may grant Options to any Employee in such amounts as the Committee may determine. The Committee may grant Incentive Stock Options, Nonqualified Stock Options, or any combination thereof. The Committee shall determine the number of Shares subject to each Option; subject to the express limitations of the Plan, including Article XIII. Furthermore, no Participant may be granted Incentive Stock Options under this Plan (when combined with incentive stock options granted under any other plan of the Company or an Affiliate) that would result in Shares with an aggregate Fair Market Value (determined as of the Grant Date(s)) of more than One Hundred Thousand Dollars (\$100,000) first becoming exercisable in any one calendar year. To the extent that a purported Incentive Stock Option would violate the limitation specified in the preceding sentence, the Option shall be deemed a Nonqualified Stock Option.

Section 6.02. *Option Award Agreement.* Each Option shall be evidenced by an Option Award Agreement that shall specify the Exercise Price, the number of Shares to which the Option pertains, the Option Period, any conditions to exercise of the Option, and such other terms and conditions as the Committee shall determine. The Option Award Agreement also shall specify whether the Option is intended to be an Incentive Stock Option or a Nonqualified Stock Option. All grants of Options intended to constitute Incentive Stock Options and related Award Agreements shall comply with the requirements of Code Section 422.

Section 6.03. *Exercise Price.* Subject to the provisions of this Section, the Committee shall determine the Exercise Price under each Option.

- (a) *Nonqualified Stock Options.* The per-Share Exercise Price under a Nonqualified Stock Option shall be not less than one hundred percent (100%) of Fair Market Value of a Share on the Grant Date.
- (b) *Incentive Stock Options.* The per-Share Exercise Price under an Incentive Stock Option shall be not less than one hundred percent (100%) of Fair Market Value of a Share on the Grant Date; provided, however, if, on the Grant Date, the Participant (together with persons whose stock ownership is attributed to the Participant pursuant to Code Section 424(d)) owns securities possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries, the per-Share Exercise Price shall be not less than one hundred ten percent (110%) of the Fair Market Value of a Share on the Grant Date.
- (c) *Substitute Options.* Notwithstanding the provisions of Subsections (a) and (b), if the Company or an Affiliate consummates a transaction described in Code Section 424(a) (e.g., the acquisition of property or stock from an unrelated corporation), individuals who become Employees on account of such transaction may be granted Options in substitution for options granted by such former employer or recipient of services. If such substitute Options are granted, the Committee, in its sole discretion and consistent with Code Section 424(a) and the requirements of Code Section 409A, may determine that such substitute Options shall have an Exercise Price less than one hundred (100%) of the Fair Market Value of the Shares to which the Options relate determined as of the Grant Dates. In carrying out the provisions of this Section, the Committee shall apply the principles contained in Section 4.04.

Section 6.04. *Duration of Options.* The Option Period with respect to each Option shall commence and expire at such times as the Committee shall provide in the Award Agreement, provided that:

- (a) Options shall not be exercisable more than ten years after their respective Grant Dates;
- (b) Incentive Stock Options granted to an Employee who possesses more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Subsidiary, taking into account the attribution rules of Code Section 422(d), shall not be exercisable later than five years after their respective Grant Date(s); and



---

**Table of Contents**

- (c) Subject to the limits of this Article, the Committee may, in its sole discretion, after an Option is granted, extend the option term, provided that such extension is not an extension for purposes of Code Section 409A and the guidance thereunder or, in the case of an Incentive Stock Option, a modification, extension, or renewal for purposes of Code Section 424(h).

Section 6.05. *Exercisability of Options.* All Options granted under this Plan shall be exercisable at such times, under such terms, and subject to such restrictions and conditions as the Committee shall determine and specify in the applicable Award Agreement. An Award Agreement for an Option may provide that such Option becomes exercisable in the event of the Participant's death, disability or retirement or in connection with a Change in Control.

Section 6.06. *Method of Exercise.* Subject to the provisions of this Article and the applicable Award Agreement, a Participant may exercise an Option, in whole or in part, at any time during the applicable Option Period by giving written notice to the Company of exercise on a form provided by the Committee (if available). Such notice shall specify the number of Shares subject to the Option to be purchased and shall be accompanied by payment in full of the total Exercise Price by cash or check or such other form of payment as the Company may accept. If permitted by the Committee or the applicable the Award Agreement, payment in full or in part may also be made by:

- (a) subject to any conditions or limitations established by the Committee, delivering Shares already owned by the Participant and having a total Fair Market Value on the date of such delivery equal to the total Exercise Price;
- (b) to the extent permitted by law, the delivery of cash by a broker-dealer pursuant to a Cashless Exercise;
- (c) subject to any conditions or limitations established by the Committee, the Company's withholding of Shares from the Option having an aggregate Fair Market Value at the time of exercise equal to the total Exercise Price pursuant to a net exercise arrangement (it being understood that, solely for purposes of determining the number of treasury shares held by the Company, the shares so withheld will not be treated as issued and acquired by the Company upon such exercise); or
- (d) a combination of the foregoing;
- (e) to the extent permitted by law, in any other manner then permitted by the Committee.

No Shares shall be issued until full payment therefor has been made. A Participant shall have all of the rights of a shareholder of the Company holding the class of Shares subject to such Option (including, if applicable, the right to vote the shares and the right to receive dividends) when the Participant has given written notice of exercise, has paid the total Exercise Price, and such Shares have been recorded on the Company's official shareholder records (or the records of its transfer agents or registrars) as having been issued and transferred to the Participant.

Section 6.07. *Restrictions on Share Transferability.* In addition to the restrictions imposed by Section 17.09 of the Plan, the Committee may impose such restrictions on any Shares acquired pursuant to the exercise of an Option as it may deem advisable or appropriate, including, but not limited to, restrictions related to applicable federal and state securities laws and the requirements of any national securities exchange or market on which Shares are then listed or regularly traded.

Section 6.08. *Prohibition on Repricing of Stock Options.* Except as permitted under Section 4.04 of the Plan, the terms of any outstanding Option may not be amended without shareholder approval to reduce the Exercise Price of such outstanding Option or to cancel such outstanding Option in exchange for cash, other Awards, or an Option or SAR with an exercise price that is less than the Exercise Price of the original Option.

---

**Table of Contents**

ARTICLE VII.

STOCK APPRECIATION RIGHTS

Section 7.01. *Grant of SARs.* Subject to the terms and conditions of the Plan, the Committee, at any time and from time to time, may grant Affiliated SARs, Freestanding SARs, Tandem SARs, or any combination thereof to any Employee in such amounts as the Committee, in its sole discretion, shall determine. The Committee, subject to the provisions of this Plan, shall have complete discretion to determine the terms and conditions of SARs granted under the Plan; provided, however, the Exercise Price of a Freestanding SAR shall be not less than one hundred percent (100%) of the Fair Market Value of a Share on the Grant Date, and the Exercise Price of a Tandem SAR or an Affiliated SAR shall be equal to the Exercise Price of the Option to which such SAR relates. The number of Shares to which an SAR relates as well as the Exercise Price for an SAR shall be subject to adjustment pursuant to Section 4.04.

Section 7.02. *Exercise of Tandem SARs.* Tandem SARs may be exercised for all or part of the Shares subject to the related Option upon the surrender of the right to exercise the equivalent portion of the Option. A Tandem SAR may be exercised only with respect to the Shares for which its related Option is then exercisable. The following requirements shall apply to all Tandem SARs: (i) the Tandem SAR shall expire not later than the date on which the related Option expires; (ii) the value of the payout with respect to the Tandem SAR shall be no more than one hundred percent (100%) of the difference between the Exercise Price of the underlying Option and one hundred percent (100%) of the Fair Market Value of the Shares subject to the related Option at the time the Tandem SAR is exercised; and (iii) the Tandem SAR shall be exercisable only when the Fair Market Value of the Shares subject to the Option to which the Tandem SAR relates exceeds the Exercise Price of such Option.

Section 7.03. *Exercise of Affiliated SARs.* An Affiliated SAR shall be deemed to be exercised upon the exercise of the Option to which the Affiliated SAR relates. Such deemed exercise of an Affiliated SAR shall not reduce the number of Shares subject to the related Option.

Section 7.04. *Exercise of Freestanding SARs.* Freestanding SARs shall be exercisable on such terms and conditions as the Committee, in its sole discretion, shall specify in the applicable Award Agreement. An Award Agreement for a Freestanding SAR may provide that such Freestanding SAR becomes exercisable in the event of the Participant's death, disability or retirement or in connection with a Change in Control.

Section 7.05. *SAR Award Agreement.* Each SAR shall be evidenced by an Award Agreement that specifies the exercise price, the expiration date of the SAR, the number of SARs, any conditions on the exercise of the SAR, and such other terms and conditions as the Committee, in its sole discretion, shall determine. The Award Agreement shall also specify whether the SAR is an Affiliated SAR, Freestanding SAR, Tandem SAR, or a combination thereof.

Section 7.06. *Expiration of SARs.* Each SAR granted under this Plan shall expire upon the date determined by the Committee, in its sole discretion, as set forth in the applicable Award Agreement. Notwithstanding the foregoing, the terms and provisions of Section 6.04 also shall apply to Affiliated and Tandem SARs.

Section 7.07. *Payment of SAR Amount.* Upon exercise of an SAR, a Participant shall be entitled to receive payment from the Company in an amount determined by multiplying:

- (a) the positive difference between the Fair Market Value of a Share on the date of exercise and the Exercise Price; by
- (b) the number of Shares with respect to which the SAR is exercised.

At the sole discretion of the Committee, such payment may be in cash, in Shares that have a Fair Market Value equal to the cash payment calculated under this Section, or in a combination of cash and Shares.

---

**Table of Contents**

Section 7.08. *Termination of SAR.* An Affiliated SAR or Tandem SAR shall terminate at such time as the Option to which such SAR relates terminates. A Freestanding SAR shall terminate at the time provided in the applicable Award Agreement, and under no circumstances more than 10 years from the Grant Date.

Section 7.09. *Prohibition on Repricing SARs.* Except as permitted under Section 4.04 of the Plan, the terms of any outstanding SAR may not be amended without shareholder approval to reduce the Exercise Price of such outstanding SAR or to cancel such outstanding SAR in exchange for cash, other Awards, or an Option or SAR with an exercise price that is less than the Exercise Price of the original SAR.

ARTICLE VIII.

RESTRICTED STOCK

Section 8.01. *Grants of Restricted Stock.* Subject to the terms and provisions of the Plan, including Article XIII, the Committee, at any time and from time to time, may grant Shares of Restricted Stock to any Employee in such amounts as the Committee, in its sole discretion, shall determine.

Section 8.02. *Restricted Stock Award Agreement.* Each Award of Restricted Stock shall be evidenced by an Award Agreement, which shall specify the Period of Restriction, the number of Shares granted, and the terms and conditions of the Award. The Committee may, in its discretion, set Performance Targets in an Award Agreement for Restricted Stock that must be satisfied for the restrictions on some or all of the Shares to be released at the end of the Period of Restriction.

Section 8.03. *Restrictions on Transferability.* Except as provided in Section 17.09 or this Article, Shares of Restricted Stock may not be sold, transferred, assigned, margined, encumbered, gifted, bequeathed, alienated, hypothecated, pledged, or otherwise disposed of, whether by operation of law, whether voluntarily or involuntarily or otherwise, until the end of the applicable Period of Restriction.

Section 8.04. *Other Restrictions.* The Committee, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate in accordance with this Article.

- (a) *General Restrictions.* The Committee may impose restrictions on Restricted Stock based upon any one or more of the following criteria: (i) the achievement of specific Performance Targets; provided that, except as provided in Section 4.05, the Period of Restriction for such performance-based Shares of Restricted Stock shall be at least one year (ii) vesting based on period of service with the Company and any of its Subsidiaries; provided that, except as provided in Section 4.05, the Period of Restriction for such service-based Shares of Restricted Stock shall be at least three years, but the restrictions may be removed ratably during the three-year period on an annual basis, (iii) applicable federal or state securities laws, or (iv) any other basis determined by the Committee, in its sole discretion.
- (b) *Section 162(m) Performance Restrictions.* Notwithstanding any other provision of this Section to the contrary, for purposes of qualifying grants of Restricted Stock as Performance-Based Compensation, the Committee shall establish restrictions based upon the achievement of pre-established Performance Targets. If the Committee intends for any Share of Restricted Stock to qualify as Performance-Based Compensation, the specific Performance Targets that must be satisfied for the Period of Restriction to lapse or terminate shall be established by the Committee on or before the latest date permissible to enable the Restricted Stock to so qualify. In granting Restricted Stock that is intended to qualify as Performance-Based Compensation, the Committee shall follow any procedures that it determines to be necessary, advisable, or appropriate to ensure such qualification.

---

**Table of Contents**

- (c) *Legend on Certificates.* The Committee, in its sole discretion, may require the placement of a legend on certificates representing Shares of Restricted Stock to give appropriate notice of such restrictions. For example, the Committee may determine that some or all certificates representing Shares of Restricted Stock shall bear the following legend:

*THE SALE, PLEDGE, OR OTHER TRANSFER OF THE SHARES OF STOCK REPRESENTED BY THIS CERTIFICATE, WHETHER VOLUNTARY, INVOLUNTARY, OR BY OPERATION OF LAW, IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER UNDER FEDERAL AND STATE SECURITIES LAWS AND UNDER THE OLD NATIONAL BANCORP AMENDED AND RESTATED 2008 INCENTIVE COMPENSATION PLAN, AS SET FORTH IN AN AWARD AGREEMENT EXECUTED THEREUNDER. A COPY OF SUCH PLAN AND SUCH AWARD AGREEMENT MAY BE OBTAINED FROM THE CORPORATE SECRETARY OF OLD NATIONAL BANCORP.*

Section 8.05. *Removal of Restrictions.* Except as otherwise provided in this Article, as soon as practicable after the applicable Period of Restriction lapses, Shares of Restricted Stock covered by an Award shall be subject to release to the Participant. For Awards of Restricted Stock for which the restrictions are based on the achievement of Performance Targets, the number of Shares to be released shall be determined as a function of the extent to which the applicable Performance Targets have been achieved and to the extent that the Shares are not earned, they shall be forfeited. Notwithstanding any provision in the Plan to the contrary, to the extent permitted under Code Section 409A and Code Section 162(m) and the regulations thereunder without resulting in adverse tax consequences, any Award Agreement for Restricted Stock may provide for the earlier termination of restrictions on such Restricted Stock in the event of the Participant's death, disability or retirement or in connection with a Change in Control.

Section 8.06. *Dividends.* Any grant of Shares of Restricted Stock may require that any or all dividends or other distributions paid thereon during the applicable Period of Restriction be either paid currently or automatically deferred and reinvested in additional Shares of Restricted Stock, which may be subject to the same restrictions as the underlying Award; provided, however, that dividends or other distributions on Shares of Restricted Stock with restrictions that lapse as a result of the achievement of Performance Targets will be deferred until and paid contingent upon the achievement of the applicable Performance Targets.

Section 8.07. *Voting Rights.* During the Period of Restriction, Participants holding Shares of Restricted Stock granted hereunder may exercise full voting rights with respect to those Shares, unless the applicable Award Agreement provides otherwise.

Section 8.08. *Return of Restricted Stock to Company.* On the date set forth in the applicable Award Agreement, the Restricted Stock for which restrictions have not lapsed by the last day of the Period of Restriction shall revert to the Company and thereafter shall be available for the grant of new Awards.

## ARTICLE IX.

### RESTRICTED STOCK UNITS

Section 9.01. *Grants of Restricted Stock Units.* Subject to the terms and provisions of the Plan, including Article XIII, the Committee, at any time and from time to time, may grant Restricted Stock Units to any Employee in such amounts as the Committee, in its sole discretion, shall determine.

Section 9.02. *Restricted Stock Unit Award Agreement.* Each Award of Restricted Stock Units shall be evidenced by an Award Agreement, which shall specify the Period of Restriction, the number of Restricted Stock Units (including the number of Shares or cash to be delivered or paid upon the lapse of restrictions), and the terms and conditions of the Award. The Committee may, in its discretion, set Performance Targets in an Award Agreement for Restricted Stock Units that must be satisfied for the restrictions on some or all of the Shares to be delivered or cash to be paid at the end of the Period of Restriction.

Section 9.03. *Restrictions on Transferability.* Except as provided in Section 17.09 or this Article, Restricted Stock Units may not be sold, transferred, assigned, margined, encumbered, gifted, bequeathed, alienated, hypothecated, pledged, or otherwise disposed of, whether by operation of law, whether voluntarily or involuntarily or otherwise.

## **Table of Contents**

Section 9.04. *Other Restrictions.* The Committee, in its sole discretion, may impose such other restrictions on Restricted Stock Units as it may deem advisable or appropriate in accordance with this Article.

- (a) *General Restrictions.* The Committee may impose restrictions on Restricted Stock Units based upon any one or more of the following criteria: (i) the achievement of specific Performance Targets; provided that, except as provided in Section 4.05, the Period of Restriction for such performance-based Restricted Stock Units shall be at least one year (ii) vesting based on period of service with the Company and any of its Subsidiaries; provided that, except as provided in Section 4.05, the Period of Restriction for such service-based Restricted Stock Units shall be at least three years, but the restrictions may be removed ratably during the three-year period on an annual basis, (iii) applicable federal or state securities laws, or (iv) any other basis determined by the Committee, in its sole discretion.
- (b) *Section 162(m) Performance Restrictions.* Notwithstanding any other provision of this Section to the contrary, for purposes of qualifying grants of Restricted Stock Units as Performance-Based Compensation, the Committee shall establish restrictions based upon the achievement of pre-established Performance Targets. If the Committee intends for any Restricted Stock Unit to qualify as Performance-Based Compensation, the specific Performance Targets that must be satisfied for the Period of Restriction to lapse or terminate shall be established by the Committee on or before the latest date permissible to enable the Restricted Stock Unit to so qualify. In granting Restricted Stock Units that are intended to qualify as Performance-Based Compensation, the Committee shall follow any procedures that it determines to be necessary, advisable, or appropriate to ensure such qualification.

Section 9.05. *Removal of Restrictions.* Except as otherwise provided in this Article, as soon as practicable after the applicable Period of Restriction lapses, Restricted Stock Units covered by an Award shall be subject to release to the Participant. For Awards of Restricted Stock Units for which the restrictions are based on the achievement of Performance Targets, the number of Shares to be delivered (or cash to be paid) shall be determined as a function of the extent to which the applicable Performance Targets have been achieved and to the extent that the Restricted Stock Units are not earned, they shall be forfeited. Notwithstanding any provision in the Plan to the contrary, to the extent permitted under Code Section 409A and Code Section 162(m) and the regulations thereunder without resulting in adverse tax consequences, any Award Agreement for Restricted Stock Units may provide for the earlier termination of restrictions on such Restricted Stock Units in the event of the Participant's death, disability or retirement or in connection with a Change in Control.

Section 9.06. *Dividends Equivalents.* The Committee may, at the Grant Date of Restricted Stock Units, provide for the payment of dividend equivalents to the Participant either in cash or in additional Shares on current, deferred or contingent basis; provided, however, that dividends or other distributions on Restricted Stock Units with restrictions that lapse as a result of the achievement of Performance Targets will be deferred until and paid contingent upon the achievement of the applicable Performance Targets.

Section 9.07. *Ownership.* During the Period of Restriction, the Participant will have no rights of ownership in the Shares subject to the Restricted Stock Units and shall have no right to vote such Shares.

Section 9.08. *Cancellation of Restricted Stock Units.* On the date set forth in the applicable Award Agreement, all Restricted Stock Units that have not been earned or vested shall be forfeited and thereafter the Shares subject to such forfeited Restricted Stock Units shall be available for the grant of new Awards.



---

**Table of Contents**

ARTICLE X.

PERFORMANCE UNITS AND PERFORMANCE SHARES

Section 10.01. *Grant of Performance Units/Shares.* Subject to the terms and provisions of the Plan, the Committee, at any time and from time to time, may grant Performance Units and/or Performance Shares to any Employee in such amounts as the Committee, in its sole discretion, shall determine. The Committee shall have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant, subject to the express limitations of the Plan, including Article XIII.

Section 10.02. *Value of Performance Units/Shares.* Each Performance Unit shall have an initial value that is established by the Committee on or before the Grant Date. Each Performance Share shall have an initial value equal to the Fair Market Value of a Share on the Grant Date.

Section 10.03. *Performance Objectives and Other Terms.* The Committee shall set performance objectives in its sole discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units or Performance Shares, or both, that will be paid to the Participant. Each Award of Performance Units or Performance Shares shall be evidenced by an Award Agreement that shall specify the number of Performance Units or Performance Shares, the Performance Period, the performance objectives, and such other terms and conditions as the Committee, in its sole discretion, shall determine.

- (a) *General Performance Objectives.* The Committee may set performance objectives based upon (i) the achievement of Performance Targets; provided that, except as provided in Section 4.05, the Performance Period for any Performance Share or Performance Unit shall be at least one year, (ii) applicable Federal or state securities laws, or (iii) any other basis determined by the Committee in its sole discretion.
  
- (b) *Section 162(m) Performance Objectives.* Notwithstanding any other provision of this Section to the contrary, for purposes of qualifying grants of Performance Units or Performance Shares to Covered Employees as Performance-Based Compensation, the Committee shall establish the specific Performance Targets applicable to Performance Units or Performance Shares. If the Committee intends for any Performance Unit or Performance Share to qualify as Performance-Based Compensation, the Performance Targets for any such Award shall be set by the Committee on or before the latest date permissible to enable the Performance Unit or Performance Share, as the case may be, to so qualify. In granting Performance Units or Performance Shares to Covered Employees that are intended to qualify as Performance-Based Compensation, the Committee shall follow any procedures that it determines to be necessary, advisable, or appropriate to ensure such qualification.

Section 10.04. *Earning of Performance Units/Shares.* After the applicable Period of Restriction has ended, the holder of Performance Units or Performance Shares shall be entitled to receive those Performance Units or Performance Shares, as the case may be, earned by the Participant over the Performance Period, to be determined as a function of the extent to which the applicable Performance Targets have been achieved. Notwithstanding any provision in the Plan to the contrary, to the extent permitted under Code Section 409A and Code Section 162(m) and the regulations thereunder without resulting in adverse tax consequences, any Award Agreement for Performance Shares or Performance Units may provide for the earlier lapse of restrictions or other modifications in the event of the Participant's death, disability or retirement or in connection with a Change in Control.

Section 10.05. *Form and Timing of Payment of Performance Units/Shares.* Each Award Agreement for Performance Shares or Performance Units will specify the time and manner of payment for any such Performance Shares or Performance Units that have been earned. The Committee, in its sole discretion, may pay earned Performance Units or Performance Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units or Performance Shares, as the case may be, determined as of the last day of the applicable Performance Period), or a combination thereof.

## Table of Contents

Section 10.06. *Dividend Equivalents*. The Committee may, at the Grant Date of Performance Shares, provide for the payment of dividend equivalents to the Participant either in cash or in additional Shares on a contingent basis, subject in all cases to deferral and payment on a contingent basis based on the Participant's earning of the Performance Shares with respect to which such dividend equivalents are paid.

Section 10.07. *Cancellation of Performance Units/Shares*. On the date set forth in the applicable Award Agreement, all Performance Units or Performance Shares that have not been earned or vested shall be forfeited and thereafter shall be available for the grant of new Awards.

## ARTICLE XI.

### SHARE GRANTS

Subject to the provisions of the Plan, including Article XIII and this Section, the Committee may make an Award of Shares to any Employee in such amount as the Committee, in its sole discretion, may determine. A grant pursuant to this Section may be evidenced by a Share Award Agreement or such other document as the Committee, in its sole discretion, determines to be appropriate; provided, however, the Shares shall be freely transferable, and the Committee shall not impose Performance Targets, a Period of Restriction, or any other conditions, restrictions, or risks of forfeiture on the Award. Awards of shares pursuant to this Section shall be subject to the withholding requirements of Article XV.

## ARTICLE XII.

### SHORT-TERM INCENTIVE AWARDS

The Committee may grant performance awards, payable in cash or Shares, pursuant to the terms of the STIP, as set out in Appendix A.

## ARTICLE XIII.

### LIMITS ON AWARDS

Section 13.01. *Limitation on Shares Issued Pursuant to Awards*. Notwithstanding any other provision of this Plan to the contrary, the Committee may not grant Awards of Options, SARs, Shares of Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or any grant of Shares pursuant to Article XI that are intended to qualify as Performance-Based Compensation under Code Section 162(m) to any Participant under this Plan during any three-year calendar year period that would result in more than Five Hundred Thousand (500,000) Shares being issued to such Participant. For purposes of this Section, Shares issued pursuant to the 1999 Plan shall be deemed issued pursuant to this Plan. The limitations of this Section shall be subject to adjustment as provided in Section 4.04.

Section 13.02. *Limitation on Cash Awards*. Notwithstanding any other provision of this Plan to the contrary, the Committee may not grant Awards payable in cash that are intended to qualify as Performance-Based Compensation under Code Section 162(m) to any Participant under this Plan during any three-year calendar year period in which the payments with respect to such Awards would exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000).

## ARTICLE XIV.

### AMENDMENT, TERMINATION, AND DURATION

Section 14.01. *Amendment, Suspension, or Termination*.

- (a) The Board may supplement, amend, alter, or discontinue the Plan in its sole discretion at any time and from time to time, but no supplement, amendment, alteration, or discontinuation shall be made which would impair the rights of a Participant under an Award theretofore granted without the Participant's consent, except that any supplement, amendment, alteration, or discontinuation may be made to (i) avoid a material charge or expense to the Company or an Affiliate, (ii) cause

**Table of Contents**

this Plan to comply with applicable law, or (iii) permit the Company or an Affiliate to claim a tax deduction under applicable law. In addition, subject to the provisions of this Section, the Board of Directors, in its sole discretion at any time and from time to time, may supplement, amend, alter, or discontinue this Plan without the approval of the Company's shareholders so long as any such amendment or alteration does not (i) expand the types of awards eligible for grants or materially increase benefits accruing to Participants under the Plan; (ii) materially increase the number of Shares subject to the Plan (other than pursuant to Section 4.04); (iii) materially increase the maximum number of Options, SARs, Shares of Restricted Stock, Restricted Stock Units, Performance Units, Performance Shares, Shares, or Short-Term Incentive Awards that the Committee may award to an individual Participant under the Plan (other than pursuant to Section 4.04); (iv) materially expand the classes of persons eligible or modify the requirements for participation in the Plan; (v) delete or materially limit Sections 6.08 and 7.09 of the Plan (prohibiting the repricing of Options or SARs); or (vi) otherwise require approval by the shareholders of the Company in order to comply with applicable law, the terms of a written agreement or the rules of the New York Stock Exchange or, if the Shares are not traded on the New York Stock Exchange, the principal national securities exchange upon which the Shares are traded or quoted. The Committee may supplement, amend, alter, or discontinue the terms of any Award theretofore granted, prospectively or retroactively, on the same conditions and limitations (and exceptions to limitations) as apply to the Board under the foregoing provisions of this Section, subject to any approval or limitations the Board may impose.

- (b) If permitted by Code Section 409A and Code Section 162(m), and the regulations thereunder, without resulting in any adverse tax consequences, but subject Section 14.01(c), in case of termination of employment by reason of death, disability or retirement of a Participant, or in the case of a Change in Control, an unforeseeable emergency or other special circumstances, the Committee may, in its sole discretion, accelerate the exercisability of an Option or SAR, accelerate the time at which any restrictions shall lapse or remove any restrictions with respect to Shares of Restricted Stock and Restricted Stock Units, and reduce or waive any Performance Targets or related business criteria applicable to Performance Shares, Performance Units or Short-Term Incentive Awards.
- (c) Subject to Sections 6.08 and 7.09 of the Plan (prohibiting the repricing of Options or SARs), the Committee may amend the terms of any Award granted under this Plan prospectively or retroactively, except in the case of an Award intended to qualify as Performance-Based Compensation (other than in connection with the Participant's death or disability, or a Change in Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code. In such case, the Committee will not make any modification of the Performance Targets or the level or levels of achievement with respect to such Award. Except as provided in Section 4.04 of the Plan, no amendment of an Award shall impair the rights of the Participant without his or her consent.

Section 14.02. *Duration of The Plan and Shareholder Approval.* The Plan shall become effective on the Effective Date and shall terminate automatically ten years thereafter, unless terminated pursuant to its terms before that time. Notwithstanding the preceding sentence, termination of the Plan shall not affect any Award granted before the date of termination, unless expressly provided in the applicable Award Agreement or a duly adopted Plan amendment.

---

**Table of Contents**

ARTICLE XV.

TAX WITHHOLDING

Section 15.01. *Withholding Requirements.* Prior to the delivery of any Shares or cash pursuant to the payment or exercise of an Award, the Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy all federal, state, and local income and employment taxes required to be withheld with respect to the payment or exercise of such Award.

Section 15.02. *Withholding Arrangements.* The Committee, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part, by (i) electing to have the Company withhold otherwise deliverable Shares (except in the case of exercises of Incentive Stock Options), or (i) delivering to the Company Shares then owned by the Participant having a Fair Market Value equal to the amount required to be withheld; provided, however, that any shares delivered to the Company shall satisfy the ownership requirements specified in Section 6.06(a). In no event will the Fair Market Value of the Shares withheld and delivered to satisfy applicable withholding taxes in connection with the benefit provided under the Plan exceed the minimum amount of taxes required to be withheld.<sup>1</sup> The Fair Market Value of the Shares to be withheld or delivered shall be determined as of the date that the taxes are required to be withheld.

ARTICLE XVI.

CHANGE IN CONTROL

Section 16.01. *Definition.* For purposes of the Plan, a **Change in Control** shall mean that the conditions or events set forth in any one or more of the following subsections shall have occurred:

- (a) the acquisition by any person (within the meaning of Section 13(d) of the Securities Exchange Act of 1934 ( **Act** )), other than the Company, a subsidiary, and any employee benefit plan of the Company or a subsidiary, of twenty-five percent (25%) or more of the combined voting power entitled to vote generally in the election of the directors of the Company s then outstanding voting securities;
- (b) the persons who were serving as the members of the Board of Directors immediately prior to the commencement of a proxy contest relating to the election of directors or a tender or exchange offer for voting securities of the Company ( **Incumbent Directors** ) shall cease to constitute at least a majority of the Board of Directors (or the board of directors of any successor to the Company) at any time within one year of the election of directors as a result of such contest or the purchase or exchange of voting securities of the Company pursuant to such offer, provided that any director elected to the Board of Directors, or nominated for election, by a majority of the Incumbent Directors then still in office and whose nomination or election was not made at the request or direction of the person(s) initiating such contest or making such offer shall be deemed to be an Incumbent Director for purposes of this Subsection (b);
- (c) consummation of a merger, reorganization, or consolidation of the Company, as a result of which persons who were shareholders of the Company immediately prior to such merger, reorganization, or consolidation do not, immediately thereafter, own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the merger, reorganization, or consolidation, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (i) the merged, reorganized, or consolidated company or (ii) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the company described in clause (i);

<sup>1</sup> Changed to make it clearer that no more than the minimum amount required to be withheld to satisfy taxes will be withheld.



---

**Table of Contents**

- (d) a sale, transfer, or other disposition of all or substantially all of the assets of the Company, which is consummated and immediately following which the persons who were shareholders of the Company immediately prior to such sale, transfer, or disposition, do not own, directly or indirectly and in substantially the same proportions as their ownership of the stock of the Company immediately prior to the sale, transfer, or disposition, more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of (i) the entity or entities to which such assets are sold or transferred or (ii) an entity that, directly or indirectly, owns more than fifty percent (50%) of the combined voting power entitled to vote generally in the election of directors of the entities described in clause (i); or
  
- (e) the shareholders of the Company approve a liquidation of the Company.

**ARTICLE XVII.**

**MISCELLANEOUS**

Section 17.01. *Mistake of Fact.* Any mistake of fact or misstatement of facts shall be corrected when it becomes known by a proper adjustment to an Award or Award Agreement.

Section 17.02. *Evidence.* Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person relying thereon considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

Section 17.03. *Notices.* Any notice or document required to be given to or filed with the Committee will be properly given or filed if hand delivered (and a delivery receipt is received) or mailed by certified mail, return receipt requested, postage paid, to the Committee at Box 718, Evansville, Indiana 47705.

Section 17.04. *No Effect on Employment or Service.* Neither the Plan, the grant of an Award, or the execution of an Award Agreement shall confer upon any Participant any right to continued employment by the Company or an Affiliate or interfere with or limit in any way the right of the Company or an Affiliate to terminate any Participant's employment or service at any time, with or without Cause. Employment with the Company and its Affiliates is on an at-will basis only, unless otherwise provided by a written employment or severance agreement, if any, between the Participant and the Company or Affiliate, as the case may be. If there is any conflict between the provisions of the Plan and an employment or severance agreement between a Participant and the Company or an Affiliate, the provisions of such employment or severance agreement shall control, including, but not limited to, the vesting and forfeiture of any Awards.

Section 17.05. *No Company Obligation.* Unless required by applicable law, the Company, an Affiliate, the Board of Directors, and the Committee shall not have any duty or obligation to disclose material information to a record or beneficial holder of Shares or an Award, and such holder shall have no right to be advised of any material information regarding the Company or any Affiliate at any time prior to, upon, or in connection with the receipt, exercise, or distribution of an Award.

Section 17.06. *Participation.* No Employee shall have the right to be selected to receive an Award, or, having been selected, to be selected to receive a future Award. Participation in the Plan will not give any Participant any right or claim to any benefit under the Plan, unless such right or claim has accrued under the express terms of the Plan.

Section 17.07. *Liability and Indemnification.* No member of the Board, the Committee, or any officer or employee of the Company or any Affiliate shall be personally liable for any action, failure to act, decision, or determination made in good faith in connection with the Plan. By participating in the Plan, each Participant agrees to release and hold harmless the Company and its Affiliates (and their respective directors, officers, and employees) and the Committee from and against any tax liability, including, but not limited to, interest and penalties, incurred by the Participant in connection with his receipt of Awards under the Plan and the payment

**Table of Contents**

and exercise thereof. Each person who is or shall have been a member of the Committee or the Board or served as an officer of the Company or any of its Subsidiaries shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense (including, but not limited to, attorneys' fees) that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or any Award Agreement, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's prior written approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her; provided, however, that he or she shall give the Company an opportunity, at the Company's expense, to handle and defend such claim, action, suit, or proceeding before he or she undertakes to handle and defend the same on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Articles of Incorporation or By-Laws, by contract, as a matter of law or otherwise, or under any power that the Company may have to indemnify them or hold them harmless.

Section 17.08. *Successors.* All obligations of the Company hereunder with respect to Awards shall be binding on any successor to the Company, whether or not the existence of such successor is the result of a Change in Control of the Company. The Company shall not, and shall not permit its Affiliates to, recommend, facilitate, or agree or consent to a transaction or series of transactions that would result in a Change in Control of the Company unless and until the person or persons or entity or entities acquiring control of the Company as a result of such Change in Control agree(s) to be bound by the terms of the Plan insofar as it pertains to Awards theretofore granted and agrees to assume and perform the obligations of the Company hereunder.

Section 17.09. *Nontransferability of Awards.* Except as provided in Subsection (a) or (b), no Award can be sold, transferred, assigned, margined, encumbered, bequeathed, gifted, alienated, hypothecated, pledged, or otherwise disposed of, whether by operation of law, whether voluntarily or involuntarily or otherwise, other than by will or by the laws of descent and distribution. In addition, no Award shall be subject to execution, attachment, or similar process. In no event may any Award be transferred for value. Any attempted or purported transfer of an Award in contravention of the Plan or an Award Agreement shall be null and void ab initio and of no force or effect whatsoever. All rights with respect to an Award granted to a Participant shall be exercisable during his or her lifetime only by the Participant.

- (a) *Limited Transfers of Nonqualified Stock Options.* Notwithstanding the foregoing, the Committee may, in its sole discretion, permit the transfer of Nonqualified Stock Options by a Participant to: (i) the Participant's spouse, any children or lineal descendants of the Participant or the Participant's spouse, or the spouse(s) of any such children or lineal descendants (Immediate Family Members), (ii) a trust or trusts for the exclusive benefit of Immediate Family Members, or (iii) a partnership or limited liability company in which the Participant and/or the Immediate Family Members are the only equity owners, (collectively, Eligible Transferees); provided, however, that, if the Committee permits the transfer of Nonqualified Stock Options granted to the Participant, the Committee may subsequently, in its sole discretion, amend, modify, revoke, or restrict, without the prior consent, authorization, or agreement of the Eligible Transferee, the ability of the Participant to transfer Nonqualified Stock Options that have not been already transferred to an Eligible Transferee. An Option that is transferred to an Immediate Family Member shall not be transferable by such Immediate Family Member, except for any transfer by such Immediate Family Member's will or by the laws of descent and distribution upon the death of such Immediate Family Member. Incentive Stock Options granted shall not be transferable pursuant to this Subsection.
- (b) *Exercise by Eligible Transferees.* If the Committee, in its sole discretion, permits the transfer of Nonqualified Stock Options by a Participant to an Eligible Transferee under Subsection (a), the Options transferred to the Eligible Transferee must be exercised by such Eligible Transferee and, in the event of the death of such Eligible Transferee, by such Eligible Transferee's executor or administrator only in the same manner, to the same extent, and under the same circumstances (including, but not limited to, the time period within which the Options must be exercised) as the

---

**Table of Contents**

Participant could have exercised such Options. The Participant, or in the event of his or her death, the Participant's estate, shall remain liable for all federal, state, local, and other taxes applicable upon the exercise of a Nonqualified Stock Option by an Eligible Transferee.

Section 17.10. *No Rights as Shareholder.* Except as expressly provided in Article VIII, no Participant (or any Beneficiary) shall have any of the rights or privileges of a shareholder of the Company with respect to any Shares issuable pursuant to an Award (or the exercise thereof), unless and until certificates representing such Shares shall have been recorded on the Company's official shareholder records (or the records of its transfer agents or registrars) as having been issued and transferred to the Participant (or his or her Beneficiary).

Section 17.11. *Funding.* Benefits payable under this Plan to any person shall be paid by the Company from its general assets. Shares to be distributed hereunder shall be issued directly by the Company from its authorized but unissued Shares or acquired by the Company on the open market, or a combination thereof. Neither the Company nor any of its Affiliates shall be required to segregate on their books or otherwise establish any funding procedure for any amount to be used for the payment of benefits under this Plan. The Company or any of its Affiliates may, however, in their sole discretion, set funds aside in investments to meet any anticipated obligations under this Plan. Any such action or set-aside shall not be deemed to create a trust of any kind between the Company or any of its Affiliates and any Participant or other person entitled to benefits under the Plan or to constitute the funding of any Plan benefits. Consequently, any person entitled to a payment under the Plan will have no rights greater than the rights of any other unsecured general creditor of the Company or its Affiliates.

Section 17.12. *Compliance with Code Section 409A.*

- (a) To the extent applicable, it is intended that the Plan and any grants made hereunder comply with (or be exempt from) the provisions of Code Section 409A, so that the income inclusion provisions of Section 409A(a)(1) of the Code do not apply to the Participants. This Plan and any grants made hereunder will be administered in a manner consistent with this intent. Any reference in this Plan to Code Section 409A will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.
- (b) Neither a Participant nor any of a Participant's creditors or beneficiaries will have the right to subject any deferred compensation (within the meaning of Code Section 409A) payable under this Plan and grants hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment, or garnishment. Except as permitted under Code Section 409A, any deferred compensation (within the meaning of Code Section 409A) payable to a Participant or for a Participant's benefit under this Plan and grants hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its Subsidiaries.
- (c) If, at the time of a Participant's separation from service (within the meaning of Code Section 409A), (i) the Participant is a specified employee (within the meaning of Code Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company makes a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Code Section 409A) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Code Section 409A in order to avoid taxes or penalties under Code Section 409A, then the Company will not pay such amount on the otherwise scheduled payment date but will instead pay it, without interest, on the tenth business day of the seventh month after such separation from service.
- (d) Notwithstanding any provision of the Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Code Section 409A, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Code Section 409A. In any case, a



**Table of Contents**

Participant will be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant's account in connection with this Plan and grants hereunder (including any taxes and penalties under Code Section 409A), and neither the Company nor any of its affiliates will have any obligation to provide the Participant with any tax gross-up or indemnify or otherwise hold a Participant harmless from any or all of such taxes or penalties.

Section 17.13. *Recoupment.* The Plan will be administered in compliance with Section 10D of the Act, any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded, and any Company policy adopted pursuant to such law, rules, or regulations (including, without limitation, the Company's Bonus Recoupment Policy). In its discretion, moreover, the Committee may require repayment to the Company of all or any portion of any Award if the amount of the Award was calculated based upon the achievement of certain financial results that were subsequently the subject of a restatement of the Company's financial statements, the Participant engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to the Participant would have been lower than the amount actually paid to the Participant had the financial results been properly reported. This Section 17.13 will not be the Company's exclusive remedy with respect to such matters.

Section 17.14. *Use of Proceeds.* The proceeds received by the Company from the sale of Shares pursuant to the Plan will be used for general corporate purposes.

**OLD NATIONAL BANCORP**

DATED:

By:

Robert Jones, President and  
Chief Executive Officer

**ATTEST:**

By:

Jeffrey L. Knight  
Corporate Secretary and Chief Legal Counsel

**Table of Contents**

Appendix I-A

**OLD NATIONAL BANCORP**  
**SHORT-TERM INCENTIVE COMPENSATION PLAN**  
**FOR KEY EXECUTIVES**

**ARTICLE I.**

**GENERAL PROVISIONS**

Section 1.01. *Establishment.* The Company has established the Old National Bancorp Short-Term Incentive Compensation Plan for Key Executives ( *STIP* ). The *STIP* is part of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan ( *Plan* ), and the terms of the *Plan* are incorporated as part of the *STIP*. The *STIP* is effective as of the date the Company's shareholders approve the *Plan*.

Section 1.02. *Purpose.* The purpose of the *STIP* is to advance the interests of the Company and its Subsidiaries by providing an annual incentive bonus to be paid to selected key Executive Employees based on the achievement of pre-established quantitative performance goals. The *Plan* is a performance-based compensation plan, as defined in Code Section 162(m), and payments under the *Plan* are intended to qualify as Performance-Based Compensation.

**ARTICLE II.**

**DEFINED TERMS.**

Section 2.01. *Definitions.* For purposes of this document, unless another definition is set out below, when the initial letter of a word (or each word in a term) is capitalized, the term shall have the meaning specified in Article II of the *Plan*. For purposes of this document, when the initial letter of the following words (or each word in the following terms) is capitalized, the term shall have the meaning specified below:

- (a) *Executive Employee* means any key executive employee of the Company or a Subsidiary, as determined by the Committee.
- (b) *Participant* means, with respect to a calendar year, an Executive Employee to whom the Committee has granted a Performance Award for the year.
- (c) *Performance Award Payment* means the amount payable, in cash or Shares, under a Performance Award, based on the achievement of Performance Targets.
- (d) *Performance Period* means the calendar year.

**ARTICLE III.**

**ADMINISTRATION**

The Committee shall administer the *STIP*, and it shall have all powers and authority necessary or appropriate to the fulfillment of its duties hereunder. Except as limited by the express provisions of the *Plan*, the *STIP*, or resolutions adopted by the Board, the Committee also shall have the authority and discretion to interpret the *STIP*, to establish and revise rules and regulations relating to the *STIP*, and to make any other determinations that it believes necessary or advisable for administration of the *STIP*.



---

**Table of Contents**

ARTICLE IV.

PERFORMANCE AWARDS

Section 4.01. *Selection of Participants.* The Committee shall have the authority to grant Performance Awards to one or more Executive Employees.

Section 4.02. *Award Criteria.*

- (a) Before March 31 of each calendar year for which it grants a Performance Award, the Committee shall establish (i) the Performance Measures and Performance Targets applicable to each Performance Award for that year and (ii) an objective formula for computing the Performance Award Payment based on such Performance Measures and Performance Targets. The Committee shall have sole discretion to determine the Performance Measures and Performance Targets applicable to each Performance Award and the formula for calculating the amount of the Performance Award Payment. The Committee may establish a minimum level of performance for Performance Award Payments to be made. In addition, the Committee may establish minimum, target, and maximum Performance Targets, with the size of the Performance Award based on the level attained. Once established, Performance Targets, Performance Measures, and the related formula shall not be changed during the Performance Period; provided, however, that the Committee may, in its discretion, eliminate or decrease the amount of a Performance Award Payment to any Participant.
- (b) The Committee may impose conditions in addition to those imposed pursuant to Subsection (a), including but not limited to a condition that the Participant be employed by the Company or an Affiliate on the payment date and/or a condition that the Participant be employed by the Company or an Affiliate on the payment date and/or a condition that the Participant re-pay the Award if he engages in prohibited competition with the Company or an Affiliate.

Section 4.03. *Certification of Performance.* As soon as practicable after the Company's audited financial statements are available for a Performance Period, the Committee shall determine the Company's performance in relation to the Performance Targets for the Performance Period; and it shall certify in writing the extent to which the Performance Targets were achieved.

Section 4.04. *Performance Award Payments.*

- (a) Subject to the provisions of Subsection (b) and (c) and Section 4.05, Performance Awards, as determined Committee in accordance with its pre-established objective formula, shall be paid in cash or Shares. The Performance Award Payment for a Performance Award shall be made by March 15 of the calendar year following the calendar year in which the last day of the Performance Period of the Performance Award occurs. Federal, state and local taxes shall be withheld from the Performance Award Payment.
- (b) Notwithstanding Subsection (a), the Committee may, in its discretion, reduce or eliminate the amount of any Performance Award Payment, as it deems appropriate.
- (c) Notwithstanding any other provision of the STIP, under no circumstances shall the Performance Award Payment amount for a Participant pursuant to the STIP for a calendar year exceed the lesser of (i) two times the Participant's base salary for such year or (ii) Two Million Five Hundred Thousand Dollars (\$2,500,000).

Section 4.05. *Termination of Service.* To receive a Performance Award Payment, a Participant must be employed by the Company or an Affiliate on the last day of the Performance Period. Notwithstanding the preceding sentence, if a Participant Terminates Service before such date on account of his or her death, Disability, or Retirement, the Committee may determine that the Participant shall be paid all or a portion of the



**Table of Contents**

total Performance Award Payment that the Participant would have received if he or she had been employed on the last day of the Performance Period (based on the Company's performance in relation to the Performance Targets for the Performance Period), provided that any such Performance Award Payment shall be paid on the Performance Award's scheduled payment date as set forth in Section 4.04(a). If the Participant is employed on the last day of the calendar year, but was not employed during the entire calendar year, the Participant shall receive a pro-rated payout for that part of the year in which he or she was a Participant. If the Participant is deceased at the time of a STIP payment, the payment shall be made to be the person or persons in the first of the following classes in which there are survivors of the Participant: (i) his or her spouse at the time of death; (ii) his or her issue, per stirpes; (iii) his or her parents; (iv) the executor or administrator of his or her estate.

ARTICLE V.

TERM

The STIP is contingent on approval of the Plan, of which the STIP is a part, by the Company's shareholders at the Company's 2012 Annual Meeting of Shareholders, and shall remain in effect until such time as it shall be terminated by the Board of Directors of the Company or, if earlier, ten years after its approval by the Company's shareholders.

ARTICLE VI.

MISCELLANEOUS

Section 6.01. *Amendment and Termination.* The Committee may amend, suspend or terminate the STIP at any time in its sole and absolute discretion. Any amendment or termination of the STIP, however, shall not affect the right of a Participant to receive any earned but unpaid Performance Award Payment. The Committee may amend the STIP without shareholder approval, unless such approval is necessary to comply with applicable laws, including provisions of the Securities Exchange Act of 1934 and Code Section 162(m). Termination of the STIP shall not affect any Awards previously granted.

Section 6.02. *Section 162(m) Compliance.* It is the intent of the Company that awards made pursuant to the STIP constitute Qualified Performance-Based Compensation. Accordingly, the STIP shall be interpreted in a manner consistent with Code 162(m). If any provision of the STIP is intended to but does not comply with, or is inconsistent with, the requirements of Code Section 162(m), such provision shall be construed or deemed amended to the extent necessary to conform to and comply with Section 162(m).

Section 6.03. *Additional Payments.* Nothing in the STIP precludes the Company from making additional payments or special awards to Participants outside of the Plan that may or may not qualify as Performance-Based Compensation, provided that such payment or award does not affect the qualification of any incentive compensation payable under the Plan as Performance-Based Compensation.

Section 6.04. *Compliance with Code Section 409A.* The STIP, together with the Plan, constitutes the entire agreement between the parties with respect to the subject matter hereof. The Company intends that the STIP be, at all relevant times, compliant with (or exempt from) Code Section 409A and all other applicable laws, and, if any Participant's interests hereunder are subject to Code Section 409A, the STIP shall be so interpreted and administered. In addition to the general amendment rights of the Company with respect to the Plan, the Company specifically retains the unilateral right (but not the obligation) to make, prospectively or retroactively, any amendment to the STIP or any related document as it deems necessary or desirable to more fully address issues in connection with compliance with (or exemption from) Code Section 409A and other laws. In no event, however, shall this section or any other provisions of the STIP be construed to require the Company to provide any gross-up for the tax consequences of any provisions of, or payments under, the STIP. Except as may be provided in a separate agreement between the Company or an Affiliate and a Participant, the Company and its Affiliates shall have no responsibility for tax or legal consequences to any Participant (or the any Participant's beneficiaries) resulting from the terms or operation of the STIP or the Plan.

**Table of Contents**

Section 6.05. *Six-Month Delay in Payment.* Notwithstanding anything in the STIP or the Plan to the contrary, if at the time of any Participant's separation from service (as defined under Code Section 409A) with the Company or any Affiliate, the Participant's interests in the STIP are subject to Code Section 409A and the Participant is a specified employee as defined in Code Section 409A, and the deferral of the commencement of any payments or benefits otherwise payable hereunder as a result of such separation from service is necessary in order to prevent the imposition of any accelerated or additional tax under Code Section 409A, then the Company will defer the commencement of the payment of any such payments or benefits hereunder (without any reduction in such payments or benefits ultimately paid or provided to the Participant) until the date that is six (6) months following the Participant's separation from service with the Company and any Affiliate (or the earliest date as is permitted under Code Section 409A).

Section 6.06. *Recoupment.* The STIP and the Plan will be administered in compliance with Section 10D of the Act, any applicable rules or regulations promulgated by the Securities and Exchange Commission or any national securities exchange or national securities association on which the Shares may be traded, and any Company policy adopted pursuant to such law, rules, or regulations (including, without limitation the Company's Bonus Recoupment Policy). In its discretion, moreover, the Committee may require repayment to the Company of all or any portion of any Performance Award if the amount of the Performance Award was calculated based upon the achievement of certain financial results that were subsequently the subject of a restatement of the Company's financial statements, the Participant engaged in misconduct that caused or contributed to the need for the restatement of the financial statements, and the amount payable to the Participant would have been lower than the amount actually paid to the Participant had the financial results been properly reported. This Section 6.06 will not be the Company's exclusive remedy with respect to such matters.

---

**Table of Contents**

**OLD NATIONAL BANCORP**

**PO Box 929**

**Evansville, Indiana 47706-0929**

**Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to be held on May 10, 2012. The 2011 Annual Report on Form 10-K, Proxy Statement, Letter to Shareholders, and directions to the Annual Meeting are available at www.oldnational.com/proxy.**

**INTERNET VOTING INSTRUCTIONS**

You can vote by Internet 24 hours a day, 7 days a week.

To vote online, go to **www.oldnational.com/proxy** and click on **Cast your Vote** . Note: If voting by Internet, your Internet vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned your Proxy Card. The Internet voting facilities will close at 12:00 p.m. (Central Time Zone) on May 9, 2012.

**VOTE BY MAIL**

On the reverse side, please mark your Proxy Card. Then sign, date, and return the Proxy Card in the enclosed postage-paid envelope. **If you VOTE BY INTERNET, please DO NOT RETURN YOUR PROXY CARD IN THE MAIL.**

**i SIGN AND DATE THIS CARD DETACH PROXY CARD HERE i**

3) Advisory approval of the Company's Executive Compensation.  
FOR " AGAINST " ABSTAIN " "

4) Ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2012.  
FOR " AGAINST " ABSTAIN " "



Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

- 5) The Proxies are hereby granted authority to vote, in their discretion, upon such other business as may properly come before the May 10, 2012 Annual Meeting and any adjournments or postponements thereof.  
This PROXY, when properly executed, will be voted in the manner directed herein by the undersigned

SHAREHOLDER(S). **If no direction is made, this PROXY WILL BE VOTED FOR Proposals 1, 2, 3, and 4.**

**ALL EARLIER PROXIES ARE HEREBY REVOKED.**

Signature(s)

Date

Signature(s)

Date

Joint owners should each sign personally. Trustees, corporate officers and others signing in a representative capacity should indicate the capacity in which they sign.

Table of Contents

**ADMISSION TICKET**

**PLEASE BRING THIS TICKET TO THE ANNUAL MEETING.**

**It will expedite your admittance when presented upon your arrival.**

**OLD NATIONAL BANCORP**

**2012 Annual Meeting of Shareholders**

**Thursday, May 10, 2012 9:00 a.m. CDT / Evansville Time**

**Old National Bank Headquarters**

**Schlottman Auditorium 4<sup>th</sup> Floor**

**One Main Street**

**Evansville, Indiana**

**RETAIN ADMISSION TICKET.**

Upon arrival, please present this admission ticket at the registration desk. This ticket is valid to admit the shareholder(s) to the 2012 Annual Meeting.

**A reception will follow the Meeting; however, it is not necessary to RSVP.**

Please vote electronically or send in your proxy even if you plan to attend the meeting.

i DETACH PROXY CARD HERE i

**OLD NATIONAL BANCORP PROXY**

**This Proxy is solicited by the Board of Directors for use at the Annual Meeting of Shareholders to be held on May 10, 2012, and any adjournments or postponements thereof.**

The undersigned hereby appoints Jeffrey L. Knight, Patrick A. Shoulders, and Raymond L. Farabaugh, each of them singly, as Proxies of the undersigned, each with power to appoint his substitute, and hereby authorizes each of them to represent and to vote, as indicated herein, all the shares of common stock of OLD NATIONAL BANCORP held of record by the undersigned on March 2, 2012, and which the undersigned is

Edgar Filing: OLD NATIONAL BANCORP /IN/ - Form DEF 14A

entitled to vote at the Annual Meeting of Shareholders to be held on May 10, 2012, and all adjournments or postponements thereof, on the following matters.

- 1) The election of the Company's Board of Directors consisting of eleven Directors to serve for one year and until the election and qualification of their successors. (Mark only one box below.)

|    |                      |    |                   |    |                        |    |                  |
|----|----------------------|----|-------------------|----|------------------------|----|------------------|
| 01 | Alan W. Braun        | 02 | Larry E. Dunigan  | 03 | Niel C. Ellerbrook     | 04 | Andrew E. Goebel |
| 05 | Robert G. Jones      | 06 | Phelps L. Lambert | 07 | Arthur H. McElwee, Jr. | 08 | James T. Morris  |
| 09 | Marjorie Z. Soyugenc | 10 | Kelly N. Stanley  | 11 | Linda E. White         |    |                  |

FOR ALL NOMINEES LISTED HEREIN (except as indicated below) WITHHOLD AUTHORITY FOR ALL NOMINEES  
Instruction: To withhold authority to vote for any individual nominee, print the number(s) of the nominee(s) on the line provided. \_\_\_\_\_

- 2) Approval of the Old National Bancorp Amended and Restated 2008 Incentive Compensation Plan.  
FOR " AGAINST " ABSTAIN "