

1ST SOURCE CORP
Form DEF 14A
March 18, 2015

United States
Securities and Exchange Commission
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

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

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

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

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- x No fee required
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(1) Amount Previously paid:

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

(3) Filing Party:

(4) Date Filed:

Notice of Annual Meeting of Shareholders and Proxy Statement

To the Shareholders of 1st Source Corporation:

The Annual Meeting of Shareholders of 1st Source Corporation will be held at the 1st Source Center, 4th Floor Boardroom, 100 North Michigan Street, South Bend, Indiana 46601, on April 23, 2015, at 10:00 a.m. local time, for the purpose of considering and voting upon the following matters:

1. Election of Directors. Election of four directors for terms expiring in 2018.
 2. Other Business. Such other matters as may properly come before the meeting or any adjournment thereof.
- Shareholders of record at the close of business on February 18, 2015 are entitled to vote at the meeting.

By Order of the Board of Directors,
John B. Griffith
Secretary

South Bend, Indiana
March 17, 2015

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

1st SOURCE CORPORATION

P.O. Box 1602 South Bend, Indiana 46634

Proxy Statement

This Proxy Statement is furnished in connection with 2015 Annual Meeting of Shareholders of 1st Source Corporation (“1st Source” or “the Company”).

When and where is the Annual Meeting? April 23, 2015, at 10:00 a.m. local time, at the 1st Source Center, 100 North Michigan Street, 4th Floor Boardroom, South Bend, Indiana 46601.

Who may vote at the meeting? Shareholders of record at the close of business on February 18, 2015, will be eligible to vote at the Annual Meeting.

How many shares are outstanding? There were 24,840,401 shares of our common stock outstanding on the record date. The voting securities of 1st Source consist only of Common Stock. Each shareholder is entitled to one vote for each share. Cumulative voting is not authorized.

What is the required vote? A plurality of the shares voted at the annual meeting is required for election of directors. The Company knows of no other proposals expected to be presented at the meeting. Such a proposal, if any, would be approved if votes in favor of such proposal exceed those cast against.

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

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

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

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

When were these materials provided? The approximate date for making available this Proxy Statement and the form of proxy to shareholders is March 17, 2015.

Voting Securities and Principal Holders Thereof

Beneficial owners of more than 5% of the Common Stock outstanding at February 18, 2015:

Name and Address	Voting Authority			Investment Authority			Total Beneficial Ownership	
	Sole	Shared	None	Sole	Shared	None	Amount	% of Class
1st Source Bank(1) 100 North Michigan Street South Bend, IN 46601	6,531,817	—	4,661,775	6,531,817	—	4,661,775	6,531,817	26.30%
Christopher J. Murphy III (2) 100 North Michigan Street South Bend, IN 46601	1,311,761	850,019	—	1,311,761	850,019	—	2,161,780	8.70%
Dimensional Fund Advisors LP (3) Palisades West, Building One,	1,911,421	—	65,624	1,977,045	—	—	1,977,045	7.96%

6300 Bee Cave Road
Austin, Texas, 78746

(1) 1st Source Bank ("1st Source Bank" or "the Bank"), 1st Source's subsidiary bank, owns no securities for its own account. These shares are registered in 1st Source Bank's name or its nominee as fiduciary. 1st Source Bank reports that these shares are owned by many separate accounts. These amounts include 1,325,497 shares held by participants in the 1st Source Corporation Employee Stock Ownership and Profit Sharing Trust for which the Bank has no voting or investment authority except to the extent imputed by ERISA. These amounts also include 5,241,133 shares held in trusts for the benefit of Ernestine M. Raclin, her children and grandchildren, of which 1st Source Bank is the trustee and has sole voting and dispositive power. These amounts also include 1,043,804 shares held in various trusts for the benefit of Christopher J. Murphy III, his wife and children, of which 1st Source Bank is the trustee and has sole voting and dispositive power. Mr. Murphy disclaims beneficial ownership of such shares.

Due to the structure of various trusts, the amounts discussed in this footnote include 77,066 shares owned indirectly by both Mrs. Raclin and Mr. Murphy. Mrs. Raclin is the retired Chairman of the Board of 1st Source and the mother-in-law of Mr. Murphy. Also, these amounts do not include the shares reported for Christopher J. Murphy III in this table.

(2) These amounts include 1,311,761 shares held by Mr. Murphy or Mr. Murphy's wife, for which they respectively have sole voting and investment authority. These amounts also include 850,019 shares held in trusts or limited partnerships for the ultimate benefit and ownership of Mrs. Raclin's children, grandchildren and their spouses as to which Mr. Murphy or Mr. Murphy's wife share voting authority.

(3) As reported in Form 13G filed February 5, 2015, Dimensional Fund Advisors LP, in its role as investment advisor for various clients, had sole dispositive and/or voting power of the shares.

Interest of Certain Persons in Matters to be Acted Upon

The Board of Directors knows of no matters to come before the Annual Meeting other than the matters referred to in this Proxy Statement. However, if any other matters should properly come before the meeting, the persons named in the enclosed proxy intend to vote in accordance with their best judgment. No director, nominee for election as director, or executive officer of 1st Source has any special interest in any matter to be voted upon other than election to the Board of Directors. Directors, executive officers, and voting trustees have indicated that they intend to vote for all directors as listed in Proposal Number 1.

Proposal Number 1: Election of Directors

The Board of Directors is divided into three (3) groups of directors whose terms expire at different times. At the 2015 Annual Meeting, four directors are to be elected for terms expiring in 2018 or until the qualification and election of a successor. Directors will be elected by a plurality of the votes cast. Instructions to withhold authority will result in a nominee for director receiving fewer votes but will not count as votes "against" the nominee. Shares not voted by brokers are not considered "votes cast".

The following information is submitted for each nominee as well as each director and each non-director executive officer continuing in office. Tracy D. Graham is not standing for re-election to the Board of Directors. Wellington D. Jones III will be retiring from the Board of Directors coincident with the 2015 Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" THE ELECTION OF EACH NOMINEE.

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

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

Terms Expiring in April, 2015 (April, 2018 if reelected)

Allison N. Egidi ⁽³⁾	33	Director of Development, University of Virginia, College and Graduate School of Arts & Sciences; prior thereto, Major Gifts Officer, University of Virginia, College and Graduate School of Arts & Sciences and Vice President, BMO Capital Markets (financial services)	2011	19,731	«
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7 years of experience in securitization in BMO Capital Markets' U.S. Securitization Group.

Expertise in credit analysis and structuring securitization facilities.

Serving as a volunteer on the University of Virginia Children's Hospital Keswick Horse Show Planning Committee.

Served as a Development Board member for the Comer Children's Hospital at the University of Chicago and as a professional Board member for PAWS Chicago.

B.A. in Economics and American Politics from the University of Virginia.

Craig A. Kapson	64	President, Jordan Automotive Group (automotive dealerships)	2004	31,006	«
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34 years of business experience as President of Jordan Automotive Group. As head of a second-generation business that has been locally based for over 65 years, Mr. Kapson contributes long-term perspective, current knowledge, and extensive contacts in a community in which the Company does business.

Expertise in retail and fleet automobile sales and general knowledge of retailing and family-owned businesses.

Serves as a member of the Ford Direct Dealer Advisory Board.

Served as a member of the Ford Motor Company National Dealer Fleet Advisory Council.

Served as an executive board member of WNIT Public Television and executive board member of the South Bend Symphony Association.

B.A. in Economics from Olivet College.

Name	Age	Principal Occupation ⁽¹⁾	Year in Which Directorship Assumed	Beneficial Ownership of Equity Securities ⁽²⁾ Common Stock	% of Class
John T. Phair	65	President, Holladay Properties (real estate development)	2004	17,868	«

17 years of business experience as President of Holladay Properties and a total of 36 years in the real estate industry. Mr. Phair also is the managing partner of approximately 75 commercial partnerships and 13 joint ventures. Prior to joining Holladay Properties, Mr. Phair spent seven years in the mortgage-banking field. As head of a locally based business, Mr. Phair contributes current knowledge and extensive contacts in a community in which the Company does business.

Expertise in real estate development as well as general knowledge of the construction, hospitality, finance, and real estate industries.

Qualifies as an audit committee financial expert under SEC guidelines.

Serves or served on the boards of the Boys & Girls Club of St. Joseph County, Family & Children's Center, WNIT Public Television, the South Bend Civic Theatre, the Alliance of Indiana (IU Kelley School of Business), Project Future and the Villages of Indiana.

B.A. in Political Science from Marquette University.

Mark D. Schwabero	62	President, Chief Operating Officer, and Director, Brunswick Corporation (recreation products); prior thereto, President, Mercury Marine (marine propulsion systems)	2004	7,085	«
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11 years of business experience with Brunswick Corporation. Mr. Schwabero became its President and Chief Operating Officer in 2014 after serving as President of Mercury Marine and President of Mercury Outboards. Mr. Schwabero also has 29 years experience as a senior executive in the automotive and commercial vehicle/manufacturing industries.

Detailed knowledge of these industries as well as manufacturing and general management expertise.

Qualifies as an audit committee financial expert under SEC guidelines.

Former director of National Exchange Bank & Trust.

Serves on the Advisory Committee of The Ohio State University Center for Automotive Research.

Past Chairman of the National Marine Manufacturers Association.

B.S. and M.S. in Industrial and Systems Engineering from The Ohio State University.

OTHER INCUMBENT DIRECTORS

Terms Expiring in April, 2016

Daniel B. Fitzpatrick	57	Chairman and Chief Executive Officer, Quality Dining, Inc. (quick service and casual dining restaurant operator)	1995	32,982	«
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33 years of business experience as the founder, Chairman and Chief Executive Officer of Quality Dining, Inc. As head of a locally headquartered, multi-concept restaurant company with operations located in seven states, Mr. Fitzpatrick contributes long-term perspective, current knowledge, and extensive contacts in communities in which the Company does business.

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

Qualifies as an audit committee financial expert under SEC guidelines.

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

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

Name	Age	Principal Occupation ⁽¹⁾	Year in Which Directorship Assumed	Beneficial Ownership of Equity Securities ⁽²⁾	
				Common Stock	% of Class
Najeeb A. Khan	61	Chairman and Chief Executive Officer, Interlogic Outsourcing, Inc. and affiliated companies (payroll processing, tax filing and human resources administration services)	2011	6,409	«

32 years of business experience as the founder, Chairman and Chief Executive Officer of Interlogic Outsourcing, Inc., as former Chairman and Chief Executive Officer of CNA Unisource, Inc. and as former Vice President of Commercial Services for Midwest Commerce Data Corporation, a wholly owned subsidiary of NBD Midwest Commerce Bank. As head of a locally owned business, Mr. Khan contributes current knowledge and extensive contacts in several communities where many manufacturing and retail customers are located.

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

Qualifies as an audit committee financial expert under SEC guidelines.

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

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

Christopher J. Murphy IV ⁽⁴⁾	45	Owner and Executive Director, Catharsis Productions, LLC (training programs)	2011	105,780	«
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15 years of business experience as co-founder, owner and Executive Director of Catharsis Productions.

Contributes general business knowledge and entrepreneurial, government contracting and creative marketing and development experience.

Serves as co-chairperson on MEN (Men Endorsing Non-Violence) Illinois state subcommittee, consultant to Lambda Chi Alpha fraternity and volunteer with West Suburban Montessori School.

B.A. in Liberal Studies, Communications and Theatre from the University of Notre Dame. Currently pursuing an M.B.A. through the University of Notre Dame.

Terms Expiring in April, 2017

Vinod M. Khilnani	62	Retired (2013) Executive Chairman of the Board, 2013 CTS Corporation (electronics components and accessories); prior thereto, Chairman and Chief Executive Officer and President and Chief		3,622	«
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Executive Officer, CTS Corporation; Director and Chairman of the Compensation Committee, Materion Corporation; Director, Esco Technologies, Inc. and Gibraltar Industries, Inc.

35 years of business experience, including 12 years as Executive Chairman, Chairman, President, Chief Executive Officer and Chief Financial Officer of CTS Corporation as well as 18 years in various senior executive finance and global leadership positions with Cummins, Inc.

Expertise in global operations as well as extensive skills in finance, mergers and acquisitions, international business and manufacturing, corporate strategy and corporate governance.

Qualifies as an audit committee financial expert under SEC guidelines.

Certified Public Accountant (inactive) and Certified Management Accountant.

B.A. in Business Administration from Delhi University and an M.B.A. in Finance from the University of New York at Albany.

Name	Age	Principal Occupation ⁽¹⁾	Year in Which Directorship Assumed	Beneficial Ownership of Equity Securities ⁽²⁾	
				Common Stock	% of Class
Rex Martin	63	Chairman and Chief Executive Officer, NIBCO, Inc. (copper and plastic plumbing parts manufacturer)	1996	7,403	«

29 years as Chairman and Chief Executive Officer of NIBCO, Inc., a family-owned business. As head of Elkhart, Indiana-based NIBCO, Inc., Mr. Martin contributes long-term perspective, current knowledge, and extensive contacts in a community where the Company does business.

Expertise in the copper and plastic plumbing parts manufacturing industry and general knowledge of sales and marketing.

Qualifies as an audit committee financial expert under SEC guidelines.

Serves as Lead Director.

Serves as Founder and Director of the Rex and Alice A. Martin Foundation. Mr. Martin also is a board member of the Park Foundation of Elkhart, Indiana.

B.A. in English from Indiana University and an M.B.A. from the Massachusetts Institute of Technology.

Christopher J. Murphy III	68	Chairman of the Board and Chief Executive Officer, 1st Source and 1st Source Bank	1972	2,161,780 ⁽⁵⁾	8.70%
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Over 40 years of banking and business experience, including serving as a Director and/or President and Chief Executive Officer of both 1st Source Corporation or 1st Source Bank for 40 years. Mr. Murphy contributes long-term perspective, current knowledge, and extensive contacts in all communities in which the Company does business. Prior to 1st Source, Mr. Murphy worked at Citibank, and while in college, for the Office of the Comptroller of the Currency.

Extensive knowledge of 1st Source and 1st Source Bank and general knowledge in the finance/banking industry, investments, insurance and venture capital.

Serves as a director of Data Realty, LLC, representing 1st Source's investment in this provider of managed data center and other technology related services.

Serves on numerous boards including those of the Medical Education Foundation (serves as the citizen's advisory board of Indiana University Medical School at Notre Dame), the Indiana State Chamber of Commerce, the Indiana Commission for Higher Education, the Corporate Partnership for Economic Growth, Beacon Health Ventures and Memorial Home Care (part of Beacon Health Ventures, Inc.). Also serves as a member of the Beacon Health System Audit Committee.

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B.A. in Government from the University of Notre Dame, a J.D. from the University of Virginia Law School and an M.B.A. from the Harvard University School of Business.

Timothy K. Ozark	65	Chairman and Chief Executive Officer, Aim Financial Corporation (mezzanine funding and leasing) and Chairman, CFWF, Inc. (seafood processor and commercial fishing company)	1999	19,354	«
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23 years of business experience as founder, Chairman and Chief Executive Officer of Aim Financial Corporation, a mezzanine lender to privately-held companies. Also President and CEO of TKO Finance Corporation, a lender to financial services and manufacturing companies and Chairman of CFWF, Inc., a seafood processing and fishing company located in California.

Expertise in mezzanine funding, lending-leasing and general knowledge of finance.

Qualifies as an audit committee financial expert under SEC guidelines.

Serves as a member of the Visiting Committee to the Division of Biological Sciences and the Pritzker School of Medicine for The University of Chicago and on the Board of Directors for a number of privately held companies.

B.S. in Business Administration from the University of Minnesota and an M.B.A. from St. Cloud State University.

Name	Age	Principal Occupation ⁽¹⁾	Beneficial Ownership of Equity Securities ⁽²⁾ Common Stock	% of Class
Executive Officers of the Company (Non-Directors)				
Jeffrey L. Buhr	55	Executive Vice President and Chief Credit Officer, 1st Source Bank (since 2014); prior thereto, Senior Vice President and Chief Credit Officer, 1st Source Bank	46,353	«
John B. Griffith	57	Executive Vice President, General Counsel and Secretary, 1st Source Corporation and 1st Source Bank (since 2011); prior thereto, Senior Vice President, General Counsel and Secretary, 1st Source Corporation and 1st Source Bank	48,956	«
Allen R. Qualey	63	President and Chief Operating Officer, Specialty Finance Group, 1st Source Bank (since 1997)	146,871	«
James R. Seitz	62	President, 1st Source Corporation and 1st Source Bank (since 2014); prior thereto, Executive Vice President, 1st Source Corporation and President, 1st Source Bank and Executive Vice President and Senior Vice President, 1st Source Bank	56,557	«
Andrea G. Short	52	Executive Vice President, Treasurer and Chief Financial Officer, 1st Source Corporation and 1st Source Bank (since 2013); prior thereto, Senior Vice President and Controller and Vice President and Controller, 1st Source Bank	35,796	«
Steven J. Wessell	65	Executive Vice President, 1st Source Bank (since 2011); prior thereto, Senior Vice President, 1st Source Bank	68,236	«