OLD SECOND BANCORP INC
Form S-1
January 17, 2014

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As filed with the Securities and Exchange Commission on January 17, 2014

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

OLD SECOND BANCORP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-3143493**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

**37 South River Street
Aurora, Illinois 60506
(630) 892-0202**
(Address, including zip code and telephone number, including area code, of registrant's principal executive offices)

**William B. Skoglund
Chairman and Chief Executive Officer
Old Second Bancorp, Inc.
37 South River Street
Aurora, Illinois 60506
(630) 892-0202**
(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Robert M. Fleetwood Gregory V. Demo Barack Ferrazzano Kirschbaum & Nagelberg LLP 200 West Madison Street, Suite 3900 Chicago, Illinois 60606 (312) 984-3100	**Edwin S. del Hierro James S. Rowe Kirkland & Ellis LLP 300 North LaSalle Chicago, Illinois 60654 (312) 862-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ý

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered**	**Proposed Maximum Offering Price Per Share**	**Proposed Maximum Aggregate Offering Price(1)(2)**	**Amount of Registration Fee**
Common Stock, $1.00 par value per share(3)	NA	NA	$70,000,000	$9,016

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.

(2) Includes offering price of shares that the underwriters have the option to purchase to cover over-allotments, if any.

(3) Each share of Old Second Bancorp, Inc., common stock has attached thereto the right to purchase one one-thousandth (subject to adjustment) of a share of Series A Junior Participating Preferred Stock, $1.00 par value per share.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not complete this offering and sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and it is not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 17, 2014

PRELIMINARY PROSPECTUS

Shares
Common Stock

We are offering shares of our common stock. Our common stock is listed on the Nasdaq Global Select Market under the symbol "OSBC." As of January 16, 2014, the closing sale price for our common stock on the Nasdaq Global Select Market was $4.69 per share. Please see "Market Price and Dividend Information" on page 36 for more information.

Investing in our common stock involves risks. We encourage you to read and carefully consider this prospectus in its entirety, in particular the risk factors beginning on page 15 as well as other information in any documents we incorporate by reference into this prospectus, for a discussion of factors that you should consider with respect to this offering.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions[1]	$	$
Proceeds to us (before expenses)	$	$

(1) We have agreed to reimburse the underwriters for certain of their expenses as described under "Underwriting."

This is a firm commitment underwriting. The underwriters have the option to purchase additional shares of our common stock up to shares at the public offering price, less underwriting discounts and commissions, within 30 days of the date of this prospectus solely to cover over-allotments, if any.

The shares of common stock offered are not savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, any state securities commission, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock in book-entry form only through the facilities of The Depository Trust Company against payment on or about , 2014, subject to customary closing conditions.

Keefe, Bruyette & Woods
A Stifel Company

Sandler O'Neill + Partners, L.P.	**FIG Partners, LLC**

The date of this prospectus is , 2014.

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[Graphic of Branch Network]

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You should only rely on the information contained or incorporated by reference in this prospectus and any "free writing prospectus" we authorize to be delivered to you. We have not, and the underwriters have not, authorized anyone to provide you with additional information or information different from that contained or incorporated by reference in this prospectus and any such "free writing prospectus." If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell our common stock only in jurisdictions where those sales are permitted. The information contained or incorporated by reference in this prospectus and any such "free writing prospectus" is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

This prospectus describes the specific details regarding this offering, the terms of the common stock being offered and the risks of investing in our common stock. You should read this prospectus and the additional information about us described in the section entitled "Where You Can Find More Information" before making your investment decision.

As used in this prospectus, the terms "we," "our," "us" and "Old Second" refer to Old Second Bancorp, Inc., and its consolidated subsidiaries unless the context indicates otherwise. When we refer to the "Bank" or "our bank" in this prospectus, we are referring to Old Second National Bank, a national banking association and wholly-owned subsidiary of Old Second.

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WHERE YOU CAN FIND MORE INFORMATION

This prospectus, which forms a part of a registration statement filed with the Securities and Exchange Commission (the "SEC"), does not contain all of the information set forth in the registration statement. For further information with respect to us and the securities offered, reference is made to the registration statement.

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. You can also request copies of the documents, upon payment of a duplicating fee, by writing the Public Reference Section of the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. These SEC filings are also available to the public from the SEC's website at *www.sec.gov*.

FORWARD-LOOKING STATEMENTS

When used in this prospectus and the documents incorporated herein the words or phrases "may," "could," "should," "hope," "might," "believe," "expect," "plan," "assume," "intend," "estimate," "anticipate," "project," "likely," or similar expressions are intended to identify "forward-looking statements" within the meaning of such term in the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties, including, without limitation, changes in economic conditions in the market areas of the Bank, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the market areas of the Bank, borrowers defaulting on the repayment of loans and competition. These risks could cause actual results to differ materially from what we have anticipated or projected. These risk factors and uncertainties should be carefully considered by potential investors. See the "Risk Factors" section of this prospectus and Part I, Item 1.A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, as well as elsewhere in our periodic and current reports filed with the SEC, for discussion relating to risk factors impacting us. Investors should not place undue reliance on any forward-looking statement, which speaks only as of the date on which it was made. The factors described in this prospectus could affect our financial performance and could cause actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods.

Where any such forward-looking statement includes a statement of the assumptions or bases underlying such forward-looking statement, we caution that, while our management believes such assumptions or bases are reasonable and are made in good faith, assumed facts or bases can vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. Where, in any forward-looking statement, an expectation or belief is expressed as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement of expectation or belief will be achieved or accomplished.

We do not intend to, and specifically disclaim any obligation to, update any forward-looking statements.

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INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. The SEC allows us to "incorporate by reference" certain information we file with it. This means we can disclose important information to you by referring you to those documents, which we filed separately with the SEC. The information we incorporate by reference is an important part of this prospectus and should be reviewed by you. We incorporate herein by reference the documents listed below, except to the extent that any information contained in those documents is deemed "furnished" in accordance with SEC rules:

Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 20, 2013;

Quarterly Reports on Form 10-Q filed with the SEC on May 15, 2013, August 14, 2013 and November 12, 2013;

Definitive Proxy Statement on Schedule 14A filed with the SEC on April 15, 2013; and

Current Reports on Form 8-K filed with the SEC on January 10, 2013; April 11, 2013; May 24, 2013; July 10, 2013; October 15, 2013; and October 18, 2013.

Any statement contained in a document that is incorporated by reference will be modified or superseded for all purposes to the extent that a statement contained in this prospectus modifies or is contrary to that previous statement. Any statement so modified or superseded will not be deemed a part of this prospectus except as so modified or superseded.

Upon request, we will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the reports or documents that have been incorporated by reference in the prospectus contained in the registration statement, but not delivered with the prospectus. You may request a copy of any of these filings at no cost, by writing or telephoning us at the following address or telephone number:

Old Second Bancorp, Inc.
37 South River Street
Aurora, Illinois 60506
(630) 892-0202
Attention: Corporate Secretary

Any report or document incorporated by reference may be accessed on our website at *www.oldsecond.com*. The information on our corporate website is not part of this prospectus or any free writing prospectus or other offering materials.

The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a site, *www.sec.gov*, where the public may access reports, proxy and information statements and other information regarding Old Second and other issuers that file electronically with the SEC.

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SUMMARY

This summary is not complete and does not contain all of the information that may be important to you or that you should consider before investing in our common stock. This summary is qualified in its entirety by the more detailed information included or incorporated by reference in this prospectus. Before making your investment decision, you should read this entire prospectus, including the "Risk Factors" section and those documents incorporated by reference. Unless otherwise expressly stated or the context otherwise requires, all information in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares of our common stock to cover any over-allotments.

Overview

Old Second Bancorp, Inc., headquartered in Aurora, Illinois is an Illinois-based bank holding company providing commercial banking services to individuals, small to medium-sized businesses, community organizations, and public entities. Our wholly-owned banking subsidiary, Old Second Bank, was founded in 1871 and conducts its business through 27 branch locations. Through the Bank, we conduct a traditional retail and commercial banking business as well as provide fiduciary and wealth management services. The Bank offers a full complement of electronic banking services, such as online and mobile banking and corporate cash management, including remote deposit capture. The Bank also makes commercial and consumer loans to corporations, partnerships and individuals, primarily on a secured basis. Commercial lending focuses on real estate, business, capital, construction and inventory lending, and installment lending includes direct and indirect loans to consumers and commercial customers. We also originate residential mortgages by offering a wide range of products including conventional, government, and jumbo loans. As of September 30, 2013, we had total assets of $2.0 billion, total deposits of $1.7 billion and total shareholders' equity of $142.0 million.

Market Area

Our primary market area is Aurora, Illinois and its surrounding communities. The city of Aurora is located in northeastern Illinois, approximately 40 miles west of Chicago. The Bank operates primarily in Kane, Kendall, DeKalb, DuPage, LaSalle, Will and southwestern Cook Counties in Illinois, and it has developed a strong presence in these counties. Based on 2012 estimates from the United States Census Bureau, these counties, excluding Cook County, represent a market of more than 2.4 million people, and the city of Aurora itself has a population of approximately 200,000 residents. In addition, in 2008, we added an office in southwestern Cook County, which has an estimated population of 5.2 million people. The Bank offers its services to retail, commercial, industrial, and public entity customers in the Aurora, North Aurora, Batavia, Geneva, St. Charles, Burlington, Elburn, Elgin, Maple Park, Kaneville, Sugar Grove, Naperville, Lisle, Joliet, Yorkville, Plano, Wasco, Ottawa, Oswego, Sycamore, New Lenox, Frankfort, and Chicago Heights communities and surrounding areas.

Our Strategic Goals and Recent Accomplishments

Our Bank, like most financial institutions, was adversely affected by the global economic downturn that began in 2007. As a community banking organization, a primary component of our loan portfolio was, and still is, real estate lending, which includes commercial, construction and residential loans, and, because we are located in areas that saw rapid growth over the past two decades, real estate construction and development loans were a significant part of our business prior to the onset of the financial crisis in 2007. Since first incurring losses as a result of the global economic downturn, we determined that our best course of action was to focus on our core business and position the Bank to return to profitability as the economy

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improved. To facilitate a return to profitability, we have been proactive in addressing the economic challenges facing the Bank and have focused our efforts on achieving four primary goals:

- improving loan quality;
- increasing net earnings;
- strengthening our regulatory capital ratios; and
- stabilizing our loan portfolio and positioning the Bank for loan growth.

As a result of our focus on these four goals our financial condition has steadily improved. We have significantly reduced our problem loans and nonperforming assets. We have also made a concerted effort to reduce operating expenses, including decreasing our expenses related to the valuation and maintenance of our other real estate owned ("OREO"), our legal expenses related to our problem loans and our costs associated with maintaining Federal Deposit Insurance Corporation ("FDIC") insurance on our deposit accounts. As we have focused on reducing our operating expenses, we have been able to maintain our profitable wealth management business and our strong residential real estate business, which contribute to our fee income sources. As set forth in the chart below, because of our efforts, we have achieved consistent profitability in the first nine months of 2013. As a result of achieving six consecutive quarters of consolidated net income and our analysis of other available evidence, we were able to reverse $70.0 million of the valuation allowance against our deferred tax assets during the quarter ended September 30, 2013. As a result of our success in achieving these goals, in October 2013, the Office of the Comptroller of the Currency (the "OCC") terminated the Stipulation and Consent to the Issuance of a Consent Order (the "Consent Order") originally entered into on May 16, 2011.

	As of and For the Nine Months Ended September 30,		**As of and For the Year Ended December 31,**				
($ in thousands)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
	(unaudited)						
Total assets	$ 2,032,788	$ 1,903,400	$ 2,045,799	$ 1,941,418	$ 2,123,921	$ 2,596,657	$ 2,984,605
Loans, gross	1,077,640	1,208,289	1,150,050	1,368,985	1,690,129	2,062,826	2,271,114
Stockholders' equity	142,039	70,741	72,552	74,002	83,958	197,208	193,096
Net interest and dividend income	41,579	45,429	59,346	63,950	78,613	87,137	89,514
Provision for loan losses	(6,050)	6,284	6,284	8,887	89,668	96,715	30,315
Net (loss) income available to common stockholders	$ 77,955	$ (5,312)	$ (5,059)	$ (11,228)	$ (113,187)	$ (69,869)	$ 11,824
Nonperforming assets to total assets	4.76%	10.19%	7.58%	11.96%	14.50%	8.91%	4.15%
Nonperforming loans to total loans	4.43%	8.76%	7.18%	10.15%	13.54%	9.20%	4.78%
Tier 1 leverage ratio	7.11%	4.88%	4.85%	4.98%	4.74%	8.48%	6.50%
Tier 1 risk-based capital ratio	10.07%	6.45%	6.81%	6.21%	6.09%	9.96%	7.66%
Total risk-based capital ratio	15.15%	12.90%	13.62%	12.38%	11.46%	13.26%	10.76%

Over the past few years, we have worked diligently to improve the quality of the loans in our portfolio. While our total loan portfolio has declined, the quality of our loan portfolio has improved for the last 11 consecutive quarters. For example, our nonaccrual loans were down 43.8% to $43.6 million as of September 30, 2013, from $77.5 million at December 31, 2012, and our OREO has declined 32.3% to $49.1 million as of September 30, 2013, from $72.4 million at December 31, 2012.

Since December 31, 2012, our total loans have declined by $72.4 million, or 6.3%, to $1.08 billion as of September 30, 2013; however, the pace of the decline in total loans has generally slowed since 2012, with

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total loans declining by $58.2 million for the fourth quarter of 2012, $36.7 million for the first quarter of 2013, $10.6 million for the second quarter of 2013 and $25.1 million for the third quarter of 2013. This is due to our renewed ability to gain new loan relationships, the overall improvement in loan quality and reduced net charge-offs. While loan demand in our market areas remains below historical levels and competition for high quality loans remains intense, we are now positioning ourselves to grow our loan portfolio and have focused on building and improving our loan origination leads. We have hired 11 experienced lending professionals since 2012 and continue to emphasize quality in new loan originations over quantity. We believe that, as the economy continues to gradually improve and the real estate market continues to stabilize, our efforts at marketing and increasing our loan pipelines will lead to an increase in the size of our overall loan portfolio.

Our Competitive Strengths

We believe that our following strengths position us well for future growth and profitability:

Strong and stable market share in growing markets. As of June 30, 2013, we were ranked first by the FDIC in total dollar deposits in Aurora, Illinois, with approximately 34.67% of the total deposits in that market. As of June 30, 2013, we were also ranked first in Kendall County and second in Kane County in terms of deposits. Kendall County and Kane County are ranked first and fourth, respectively, in terms of population growth since 2000 relative to the 17 counties in the Chicago metropolitan statistical area ("MSA") according to data from the United States Census Bureau. We are well-positioned to serve those communities as they continue to grow and expand.

Our community banking model has built a loyal and long-term customer base. Our Bank is built on a community bank model, which has allowed us to provide excellent service to our customers and build long-lasting relationships. Furthermore, our size of approximately $2.0 billion in assets provides us with the financial resources to handle the majority of our customers' banking needs. Our excellent service and relationship-based approach have led to our customers remaining loyal to us throughout the years. Currently, 57% of all households banking with us have been customers of the Bank for ten years or more.

Strong core deposits and limited reliance on brokered deposits and other short-term funding. As of September 30, 2013, we had $1.7 billion in total deposits, approximately $1.2 billion of which we classified as "core deposits," which we define as all non-time deposits, and we had no brokered deposits. Our strong and stable deposit base is one of our key attributes, and it was a significant factor in allowing us to weather the economic downturn and return to profitability.

Improved credit culture. We have strengthened our credit practices through the implementation of credit initiatives designed to strengthen our credit oversight and risk management functions, minimize losses from our legacy portfolio and reduce the level of our nonperforming assets. By strengthening our credit practices, we have achieved a reduction in our classified assets of nearly 75.0% since December 31, 2010.

Highly experienced management team with strong community ties. Our management team has remained loyal and intact through the economic downturn. Its strong and steadfast leadership and ability to work with and for members of our community has been a key driver in the retention of our customers and other key employees. The members of our executive management team, on average, have been with Old Second for over 25 years. We believe our management team's experience and strong reputation in the community will assist us as we renew our focus on building our lending origination business and returning to consistent loan growth.

Profitable wealth management and residential real estate business. We have a profitable wealth management business with over $1.0 billion in assets under management, and a residential real

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estate banking group that has closed $161 million in residential real estate loans for the nine months ended September 30, 2013.

We believe that focusing on our four primary goals set forth above, our organization's unique strengths and successfully consummating this offering will enable us to continue as a strong organization and position us to grow as the overall economy and real estate and credit markets continue to improve.

Background to the Offering and Our Capital Structure

In June of 2003, we completed the sale of $27.5 million of cumulative trust preferred securities and sold an additional $4.1 million of cumulative trust preferred securities in July of 2003 through our unconsolidated subsidiary, Old Second Capital Trust I. In addition, in April of 2007, we issued $25.0 million of cumulative trust preferred securities through a private placement completed by an additional, unconsolidated subsidiary, Old Second Capital Trust II (together with the trust preferred securities issued by Old Second Capital Trust I, the "Trust Preferred Securities"). We issued subordinated debentures to Old Second Capital Trust I in the original amount of $32.6 million and subordinated debentures to Old Second Capital Trust II in the amount of $25.8 million in connection with the issuance of the Trust Preferred Securities. As of September 30, 2013, there were a total of $58.4 million of Trust Preferred Securities outstanding and the total accrued but unpaid interest on the Trust Preferred Securities, including compound interest on the deferred payments, totaled $15.7 million.

We also entered into a credit facility in January 2008, which originally included a $30.5 million senior debt facility, including $500,000 in term debt, as well as $45.0 million of subordinated debt. The $30.0 million line of credit portion of the senior debt facility matured in accordance with its terms and has been repaid. However, we still have $500,000 in principal outstanding under the term debt portion of the senior debt facility and $45.0 million in principal outstanding in subordinated debt as of September 30, 2013. The term debt portion of the senior debt facility is secured by the outstanding capital stock of the Bank. The agreement governing the credit facility contains the usual and customary provisions regarding the acceleration of senior debt upon the occurrence of an event of default. As of September 30, 2013, we were out of compliance with one of the financial covenants in the agreement governing the credit facility and, as a result, were in default on the $500,000 in term debt currently outstanding under the senior debt portion of the credit facility. Because the outstanding subordinated debt is treated as Tier 2 capital for regulatory capital purposes, the agreement covering the credit facility does not allow the acceleration of such amount as a result of our failure to comply with a financial covenant.

In January 2009, in connection with the global economic crisis and to strengthen our capital position, we issued and sold (i) 73,000 shares of Series B Fixed Rate Cumulative Perpetual Preferred Stock (the "Series B Preferred Stock") and (ii) a warrant to purchase 815,339 of our common stock at an exercise price of $13.43 per share to the U.S. Department of the Treasury ("Treasury") through the Capital Purchase Program (the "CPP") instituted as part of the Troubled Asset Relief Program. The aggregate purchase price for the Series B Preferred Stock and the warrant was $73.0 million. We carried $72.7 million of Series B Preferred Stock in total shareholders' equity as of September 30, 2013.

Following our participation in the CPP, we experienced substantial losses as a result of the decline in the real estate market caused by the global economic downturn. Because our loan portfolio was heavily invested in real estate lending, including commercial real estate and construction loans, many of our loans were moved to nonperforming status and subsequently charged off. We also posted a net loss for each of 2010, 2011 and 2012 and began to accumulate deferred tax assets as a result of our losses. As a result of these losses, we first established a valuation allowance against our deferred tax assets as of December 31, 2010. On August 31, 2010, we announced that we elected to defer the dividend payments on the Series B

Preferred Stock. We also announced that we would begin deferring the regularly scheduled interest payments on the Trust Preferred Securities on August 31, 2010.

On May 16, 2011, the Bank entered into the Consent Order with the OCC, which is the Bank's primary regulator. The Consent Order required the Bank, among other things, to adopt a strategic plan and a capital plan, to maintain heightened regulatory capital ratios, and to receive the approval of the OCC prior to paying any dividends. In October of 2013, the Consent Order with the OCC was terminated.

On July 22, 2011, we entered into a Written Agreement (the "Written Agreement") with the Federal Reserve Bank of Chicago (the "Federal Reserve Bank") pursuant to the regulations promulgated by the Board of Governors of the Federal Reserve System (the "Board of Governors," and together with the Federal Reserve Bank, the "Federal Reserve"). The Written Agreement was designed to maintain our financial soundness and prohibits the declaration or payment of interest on our Trust Preferred Securities, the payment of any dividend and the repurchase of shares of our capital stock, including the Series B Preferred Stock, among other things, without the prior written consent of the Federal Reserve.

During the fourth quarter of 2012, Treasury announced the continuation of individual auctions of the preferred stock issued through the CPP and informed us that our Series B Preferred Stock would be auctioned. Auctions for our Series B Preferred Stock were held in the first quarter of 2013. As a result of the auctions, all of the shares of our Series B Preferred Stock were sold to third parties, including certain of our directors. The warrant to purchase 815,339 shares of our common stock was also sold to a third party in a separate auction.

Following Treasury's auctions, we stopped accruing the dividend on the Series B Preferred Stock given the discount reflected in the results of the auctions and our belief that we would likely be able to repurchase the Series B Preferred Stock at a price less than the face amount of the preferred stock plus unpaid dividends. Pursuant to the terms of the Series B Preferred Stock, the dividend rate will increase from 5% to 9% in February 2014. Although we have stopped accruing the dividend on the Series B Preferred Stock, dividends on the Series B Preferred Stock have continued to accumulate, and, as of September 30, 2013, the accumulated and unpaid dividends on the Series B Preferred Stock totaled $12.3 million.

The Consent Order was terminated in October of 2013. However, the Bank is still subject to the risk-based capital regulatory guidelines, which include the methodology for calculating the risk-weighting of the Bank's assets, developed by the OCC and the other bank regulatory agencies. In addition, our Bank's board of directors implemented a capital plan (the "Capital Plan") in 2010 pursuant to which the Bank was required to maintain certain minimum capital ratios and work to improve its core capital. Following the termination of the Consent Order, the Bank's board of directors updated the Capital Plan to require the Bank to maintain a minimum Tier 1 leverage capital ratio at or above 8% and a total risk-based capital ratio at or above 12%. As of September 30, 2013, the Bank's Tier 1 leverage capital ratio was 11.08% and its total risk-based capital ratio was 17.08%. In addition, the Bank's Tier 1 risk-based capital ratio was 15.82% as of September 30, 2013. The Bank's capital ratios exceed the heightened capital ratios required by the Capital Plan.

Recent Developments

We have negotiated and delivered a non-binding letter of understanding to a certain holder of our Series B Preferred Stock regarding the possible repurchase of approximately 33% of the shares of our outstanding Series B Preferred Stock. The letter of understanding currently contemplates that we will repurchase shares of our Series B Preferred Stock at a price equal to 92.875% of their per share liquidation value if such repurchase is closed on our prior to March 15, 2014, and 94.75% if the repurchase is closed

thereafter, provided that the holder of such shares enters into an agreement with us to forbear payment of any declared dividends on the Series B Preferred Stock and, upon payment of the repurchase price, to waive any rights to the accumulated and unpaid dividends on the Series B Preferred Stock. We may pay the repurchase price in cash, using a portion of the net proceeds from this offering, or in a combination of cash and shares of common stock, which will be issued in reliance on exemptions from registration under the Securities Act following the closing of this offering. We will not issue common stock in exchange for our Series B Preferred Stock to such holder in an amount in excess of 4.9% of our outstanding common stock after giving effect to the issuance of shares of common stock in this offering. If we issue our common stock as part of the repurchase price for the Series B Preferred Stock, such common stock will be issued at a price per share equal to the price at which shares of common stock are sold to the public in this offering (before giving effect to the underwriting discount). We are working toward the execution of a definitive agreement with this holder. The closing of the repurchase of Series B Preferred Stock will be contingent on, and is expected to occur as quickly as possible following, the closing of this offering. The closing of this offering is not contingent on the repurchase of the Series B Preferred Stock, and there is no assurance that we will consummate any of the transactions contemplated by the letter of understanding. We may enter into agreements to repurchase Series B Preferred Stock from other holders of Series B Preferred Stock. Any repurchases of our Series B Preferred Stock are subject to the approval of our regulators.

The information in this prospectus regarding the proposed repurchase of Series B Preferred Stock is included herein solely for informational purposes. Nothing in this prospectus should be construed as an offer to buy, or the solicitation of an offer to sell, any of shares our Series B Preferred Stock, or an offer to sell, or the solicitation of an offer to buy, any of shares our common stock. See the section entitled "Use of Proceeds" for additional information.

Interests of Certain Directors

Certain of our directors beneficially own, in the aggregate, 1,510 shares of our Series B Preferred Stock, representing 2.1% of the outstanding Series B Preferred Stock. These directors purchased the shares in the auctions conducted by Treasury during the first quarter of 2013. Following the offering, we expect to repurchase shares of our Series B Preferred Stock from these directors on substantially the same economic terms as we repurchase shares from other holders of our Series B Preferred Stock, which will be for a price higher than the directors paid for their shares. However, none of our directors would receive shares of our common stock in exchange for their shares of our Series B Preferred Stock. If we do not repurchase our directors' shares of Series B Preferred Stock for any reason, those directors will receive payment of their pro rata share of the accumulated and unpaid dividends on the Series B Preferred Stock. Our board has created a committee of directors who do not own or have an interest in our Series B Preferred Stock to approve the terms of any repurchases.

Corporate Information

Our principal executive offices are located at 37 South River Street, Aurora, Illinois 60506, and our telephone number at that address is (630) 892-0202. We also maintain a website at *www.oldsecond.com*. The information on our corporate website is not part of this prospectus or any free writing prospectus or other offering materials.

Our common stock trades on The Nasdaq Global Select Market ("NASDAQ") under the ticker symbol "OSBC."

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THE OFFERING

Common Stock Offered	shares (shares if the underwriters exercise their over-allotment option in full)
Common Stock Outstanding After the Offering	shares (shares if the underwriters exercise their over-allotment option in full)(1)(2)
Net Proceeds	After deducting the underwriting discounts and commissions and other estimated expenses of this offering, our estimated net proceeds from this offering are anticipated to be approximately $ or approximately $ if the underwriters exercise their over-allotment option in full.
Use of Proceeds	We plan to use the proceeds of this offering to pay the accrued and unpaid interest on the Trust Preferred Securities, pay the unpaid dividends on the Series B Preferred Stock, to the extent necessary, and repurchase a portion of the Series B Preferred Stock from the current holders. We have negotiated and delivered a non-binding letter of understanding to a certain holder of our Series B Preferred Stock regarding the possible repurchase of approximately 33% of the shares of our outstanding Series B Preferred Stock. The letter of understanding currently contemplates that we will repurchase shares of our Series B Preferred Stock at a price equal to 92.875% of their per share liquidation value if such repurchase is closed on or prior to March 15, 2014, and 94.75% if the repurchase is closed thereafter, provided that the holder of such shares enters into an agreement with us to forbear payment of any declared dividends on the Series B Preferred Stock and, upon payment of the repurchase price, to waive any rights to the accumulated and unpaid dividends on the Series B Preferred Stock. We may pay the repurchase price in cash, using a portion of the net proceeds from this offering or in a combination of cash and shares of common stock, which will be issued in reliance on exemptions from registration under the Securities Act following the closing of this offering. Any remaining net proceeds will be used for general corporate purposes. See "Use of Proceeds."
No Dividends	We are not currently paying any cash dividends on our common stock and our ability to pay cash dividends in the near term is significantly restricted by the factors described under the section entitled "Dividend Policy" included herein.

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Director and Officer Participation	At our request, the underwriters have reserved for sale up to shares of our common stock to be sold in this offering, at the public offering price, to our directors and officers. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. See "Underwriting Director and Officer Participation."
Market Trading	Our common stock is currently traded on NASDAQ under the symbol "OSBC." The last reported closing price of our common stock on January 16, 2014, was $4.69 per share.
Risk Factors	See "Risk Factors" and other information included in this prospectus (including information incorporated by reference) for a discussion of factors you should consider before investing in our common stock.

(1) The number of our shares outstanding immediately after the closing of this offering is based on 13,923,343 shares of our common stock outstanding as of January 9, 2014.

(2) Unless otherwise indicated, the number of shares of common stock stated to be outstanding in this prospectus excludes: (a) 407,500 shares of our common stock underlying options issued pursuant to our equity incentive plans; (b) 45,368 shares of our common stock reserved for future issuance under our equity incentive plans; and (c) 185,500 shares reserved for all non-vested restricted stock awards. Additionally, we have also excluded any shares issuable upon exercise of the warrant that was originally issued to Treasury pursuant to the CPP and subsequently sold to an individual investor at public auction.

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SELECTED FINANCIAL DATA

The following tables set forth selected consolidated financial data for us at and for each of the years in the five-year period ended December 31, 2012 and at and for the nine-month periods ended September 30, 2013 and 2012. The selected financial data as of and for the years ended December 31, 2012 and 2011, has been derived from our audited financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2012. The selected financial data as of and for the years ended December 31, 2010, 2009 and 2008 has been derived from our audited financial statements included in our Annual Reports on Form 10-K for the years ended December 31, 2010 and 2009. The selected financial data as of and for the nine months ended September 30, 2013 and 2012 has been derived from our unaudited interim financial statements included in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2013. In the opinion of our management, these financial statements reflect all necessary adjustments for a fair presentation of the data for those periods. Historical results are not necessarily indicative of future results and the results for the nine months ended September 30, 2013 are not necessarily indicative of our expected results for the full year ending December 31, 2013 or any other period.

You should read this information in conjunction with our consolidated financial statements and related notes, from which this information is derived. See the section entitled "Incorporation of Certain Information by Reference" included elsewhere herein.

($ in thousands, except per share data)	**As of and For the Nine Months Ended September 30,**		**As of and For the Year Ended December 31,**				
	2013	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
	(unaudited)						
Balance Sheet Items							
Total assets	$ 2,032,788	$ 1,903,400	$ 2,045,799	$ 1,941,418	$ 2,123,921	$ 2,596,657	$ 2,984,605
Total earning assets	1,755,226	1,671,523	1,834,995	1,751,662	1,933,296	2,359,740	2,720,142
Average assets	1,950,341	1,947,917	1,950,625	2,015,464	2,426,356	2,813,221	2,920,591
Loans, gross	1,077,640	1,208,289	1,150,050	1,368,985	1,690,129	2,062,826	2,271,114
Allowance for loan losses	29,547	40,257	38,597	51,997	76,308	64,540	41,271
Deposits	1,673,123	1,696,934	1,717,219	1,740,781	1,908,528	2,206,277	2,387,128
Securities sold under agreement to repurchase	20,719	1,738	17,875	901	2,018	18,374	46,345
Other short-term borrowings	55,000		100,000		4,141	54,998	169,383
Junior subordinated debentures	58,378	58,378	58,378	58,378	58,378	58,378	58,378
Subordinated debt	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Note payable and other borrowings	500	500	500	500	500	500	23,184
Stockholders' equity	142,039	70,741	72,552	74,002	83,958	197,208	193,096
Results of Operations							
Interest and dividend income	52,146	57,519	75,081	85,423	106,681	132,650	157,927
Interest expense	10,567	12,090	15,735	21,473	28,068	45,513	68,413
Net interest and dividend income	41,579	45,429	59,346	63,950	78,613	87,137	89,514
Provision for loan losses	(6,050)	6,284	6,284	8,887	89,668	96,715	30,315
Noninterest income	29,466	31,208	42,914	36,008	44,910	43,047	35,260
Noninterest expense	65,220	71,949	96,048	97,569	100,636	144,630	80,312
(Loss) income before taxes	11,875	(1,596)	(72)	(6,498)	(66,781)	(111,161)	14,147
Provision (benefit) for income taxes	(69,997)				41,868	(45,573)	2,323
Net (loss) income	81,872	(1,596)	(72)	(6,498)	(108,649)	(65,588)	11,824
Preferred stock dividends and accretion	3,917	3,716	4,987	4,730	4,538	4,281	
Net (loss) income available to common stockholders	$ 77,955	$ (5,312)	$ (5,059)	$ (11,228)	$ (113,187)	$ (69,869)	$ 11,824
Loan Quality Ratios							
	2.74%	3.33%	3.36%	3.80%	4.51%	3.13%	1.82%

Allowance for loan losses to total loans at end of year							
Provision for loan losses to total loans	(0.56)%	0.52%	0.55%	0.65%	5.31%	4.69%	1.33%
Net loans charged off to average total loans	0.27%	1.40%	1.56%	2.17%	4.10%	3.33%	0.41%
Nonaccrual loans to total loans	4.04%	7.67%	6.74%	9.26%	12.56%	8.48%	4.69%
Nonperforming assets to total assets	4.76%	10.19%	7.58%	11.96%	14.50%	8.91%	4.15%
Nonperforming loans to total loans	4.43%	8.76%	7.18%	10.15%	13.54%	9.20%	4.78%
Allowance for loan losses to nonaccrual loans	67.83%	43.42%	49.79%	41.01%	35.96%	36.88%	38.75%

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($ in thousands, except per share data)	As of and For the Nine Months Ended September 30, 2013	2012	As of and For the Year Ended December 31, 2012	2011	2010	2009	2008
	(unaudited)						
Per Share Data							
Basic (loss) earnings	$ 5.52	$ (0.37)	$ (0.36)	$ (0.79)	$ (8.03)	$ (5.04)	$ 0.87
Diluted (loss) earnings	5.52	(0.37)	(0.36)	(0.79)	(8.03)	(5.04)	0.86
Dividends declared					0.02	0.10	0.63
Common book value	4.98	(0.06)	0.05	0.22	1.01	9.27	14.04
Weighted average diluted shares outstanding	14,112,243	14,206,017	14,207,252	14,220,822	14,104,228	13,912,916	13,689,214
Weighted average basic shares outstanding	13,947,606	14,070,783	14,074,188	14,019,920	13,918,309	13,815,965	13,584,381
Shares outstanding at period end	13,917,108	14,084,328	14,084,328	14,034,991	13,911,475	13,823,917	13,755,884
Supplementary Data							
Other real estate owned assets	$ 49,066	$ 88,093	$ 72,423	$ 93,290	$ 75,613	$ 40,200	$ 15,212
Other real estate owned revenue	2,149	3,328	$ 5,695	$ 4,946	2,374	1,286	(13)
Other real estate owned expense	11,092	17,987	$ 24,538	$ 24,356	26,401	8,835	84
Residential mortgage revenue	6,503	8,101	$ 11,706	$ 6,172	11,170	11,790	7,311
Capital Ratios							
Tangible common equity to tangible assets	3.33%	(0.25)%	(0.13)%	(0.08)%	0.40%	4.69%	4.33%
Tangible common equity to risk-weighted assets	5.16%	(0.32)%	(0.19)%	(0.10)%	0.48%	5.46%	5.16%
Tier 1 common equity to risk-weighted assets	0.61%	(0.17)%	(0.12)%	(0.05)%	0.52%	4.31%	5.35%
Tier 1 leverage ratio	7.11%	4.88%	4.85%	4.98%	4.74%	8.48%	6.50%
Tier 1 risk-based capital ratio	10.07%	6.45%	6.81%	6.21%	6.09%	9.96%	7.66%
Total risk-based capital ratio	15.15%	12.90%	13.62%	12.38%	11.46%	13.26%	10.76%

Non-GAAP Financial Measures

We and investors often use the ratio of tangible common equity to tangible assets and the ratio of tangible common equity to risk-weighted assets to assess capital and the quality of capital. Tier 1 common equity and risk-weighted assets are terms used by banking regulators in assessing our capital adequacy for regulatory purposes. The ratios of tangible common equity to tangible assets and the ratio of tangible common equity to risk-weighted assets are not necessarily comparable to similar capital measures that may be presented by other companies.

The limitations associated with these measures are the risks that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently. These disclosures should not be considered an alternative to GAAP. The information

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provided reconciles GAAP measures and the ratios of tangible common equity or Tier 1 common equity, as applicable, to tangible assets or risk-weighted assets, as applicable.

	As of and for the Nine Months Ended September 31,		As of and for the Year Ended December 31,				
($ in thousands)	**2013**	**2012**	**2012**	**2011**	**2010**	**2009**	**2008**
	(unaudited)						
Tier 1 capital							
Total equity	$ 142,039	$ 70,741	$ 72,552	$ 74,002	$ 83,958	$ 197,208	$ 193,096
Tier 1 adjustments:							
Trust preferred securities allowed	51,491	24,432	24,626	25,901	29,029	56,625	56,625
Accumulated other comprehensive loss	12,435	2,556	1,327	3,702	3,130	1,605	2,122
Disallowed goodwill and intangible assets	(1,702)	(3,813)	(3,276)	(4,678)	(5,525)	(6,655)	(64,159)
Disallowed deferred tax assets	(71,588)			(2,592)	(2,064)	(27,018)	
Other	(546)	(360)	(412)	(349)	(390)	(245)	(137)
Tier 1 Capital	$ 132,129	$ 93,556	$ 94,817	$ 95,986	$ 108,138	$ 221,520	$ 187,547
Total capital							
Tier 1 capital	$ 132,129	$ 93,556	$ 94,817	$ 95,986	$ 108,138	$ 221,520	$ 187,547
Tier 2 additions:							
Allowable portion of allowance for loan losses	16,565	18,399	17,656	19,736	22,875	28,249	30,721
Additional trust preferred securities disallowed for Tier 1 capital	5,134	32,193	31,999	30,724	27,596		
Subordinated debt	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Tier 2 additions subtotal	66,699	95,592	94,655	95,460	95,471	73,249	75,721
Allowable Tier 2	66,699	93,556	94,655	95,460	95,471	73,249	75,721
Other Tier 2 capital components	(6)	(6)	(6)	(7)	(7)	(8)	(8)
Total capital	$ 198,822	$ 187,106	$ 189,466	$ 191,439	$ 203,602	$ 294,761	$ 263,260
Tangible common equity							
Total equity	$ 142,039	$ 70,741	$ 72,552	$ 74,002	$ 83,958	$ 197,208	$ 193,096
Less: Preferred equity	72,667	71,611	71,869	70,863	69,921	69,039	
Goodwill and intangible assets	1,702	3,813	3,276	4,678	5,525	6,655	66,861
Tangible common equity	$ 67,670	$ (4,683)	$ (2,593)	$ (1,539)	$ 8,512	$ 121,514	$ 126,235
Tier 1 common equity							
Tangible common equity	$ 67,670	$ (4,683)	$ (2,593)	$ (1,539)	$ 8,512	$ 121,514	$ 126,235
Tier 1 adjustments:							
Accumulated other comprehensive loss	12,435	2,556	1,327	3,702	3,130	1,605	2,122
Deferred tax liabilities on intangible assets							2,924
Other	(72,134)	(360)	(412)	(2,941)	(2,454)	(27,263)	(359)
Tier 1 common equity	$ 7,971	$ (2,487)	$ (1,678)	$ (778)	$ 9,188	$ 95,856	$ 130,922
Tangible assets							
Total assets	$ 2,032,788	$ 1,903,400	$ 2,045,799	$ 1,941,418	$ 2,123,921	$ 2,596,657	$ 2,984,605
Less: Goodwill and intangible assets	1,702	3,813	3,276	4,678	5,525	6,655	66,861
Tangible assets	$ 2,031,086	$ 1,899,587	$ 2,042,523	$ 1,936,740	$ 2,118,396	$ 2,590,002	$ 2,917,744
Total risk-weighted assets							
On balance sheet	$ 1,274,628	$ 1,409,071	$ 1,356,762	$ 1,511,815	$ 1,723,519	$ 2,128,378	$ 2,295,986
Off balance sheet	37,555	40,958	34,804	34,824	53,051	95,220	151,140
Total risk-weighted assets	$ 1,312,183	$ 1,450,029	$ 1,391,566	$ 1,546,639	$ 1,776,570	$ 2,223,598	$ 2,447,126
Average assets							
Total average assets for leverage	$ 1,857,554	$ 1,918,388	$ 1,955,000	$ 1,925,953	$ 2,279,538	$ 2,612,204	$ 2,887,057

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RISK FACTORS

An investment in our common stock involves risks. Before making an investment decision with respect to our common stock, you should carefully consider the risks described below together with the other information contained or incorporated by reference into this prospectus, including the information contained in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012, and any risks described in our other filings with the SEC. The risks and uncertainties described below are not the only risks and uncertainties we face. Additional risks and uncertainties not presently known or currently deemed immaterial also may have a material adverse effect on our financial condition and results of operations. If any of the following risks actually occur, our financial condition and results of operations could suffer, possibly materially. In that case, the trading price of our common stock may decline, and you may lose all or part of your investment. The risks discussed below also include forward-looking statements, and actual results may differ substantially from those discussed or implied in these forward-looking statements.

RISKS RELATED TO OUR BUSINESS

We have incurred net losses in the past and cannot ensure that we will not incur further net losses in the future.

Although we have reported net income for the first nine months of 2013, we incurred a net loss of $72,000 for 2012 and $6.5 million for 2011, as well as a net loss of $108.6 million for 2010. Despite a general improvement in the overall economy and the real estate market, the economic environment remains challenging and the stability of the real estate market is uncertain, and we cannot ensure we will not incur future losses. Any future losses may affect our ability to meet our expenses or raise additional capital and may delay the time in which we can resume dividend payments on our common stock. In addition, future losses may cause us to re-establish a valuation allowance against our deferred tax assets. Furthermore, any future losses would likely cause a decline in our holding company regulatory capital ratios, which could materially and adversely affect our financial condition, liquidity and results of operations.

Nonperforming assets take significant time to resolve, adversely affect our results of operations and financial condition and could result in further losses in the future.

At September 30, 2013, our nonperforming loans (which consist of nonaccrual loans and loans past due 90 days or more still accruing interest and restructured loans still accruing interest) and our nonperforming assets (which include nonperforming loans plus OREO) are reflected in the table below (in thousands):

	9/30/2013	12/31/2012	% Change
Nonperforming loans	$ 47,773	$ 82,595	(42.2)%
OREO	49,066	72,423	(32.3)%
Nonperforming assets	$ 96,839	$ 155,018	(37.5)%

Our nonperforming assets adversely affect our net income in various ways. For example, we do not record interest income on nonaccrual loans and OREO may have expenses in excess of lease revenues collected, thereby adversely affecting our income and returns on assets and equity. Our loan administration costs also increase because of our nonperforming assets. The resolution of nonperforming assets requires significant time commitments from management, which can be detrimental to the performance of their other responsibilities. While we have made significant progress in reducing our nonperforming assets, there is no assurance that we will not experience increases in nonperforming assets in the future or that our nonperforming assets will not result in further losses in the future.

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Our loan portfolio is concentrated heavily in commercial and residential real estate loans which involve risks specific to real estate values and the real estate markets in general, all of which have been experiencing significant weakness.

Our loan portfolio generally reflects the profile of the communities in which we operate. Because we operate in areas that saw rapid growth between 2000 and 2007, real estate lending of all types is a significant portion of our loan portfolio. Total real estate lending is still $963 million, or approximately 89.3% of our September 30, 2013 loan portfolio. Given that the primary (if not only) source of collateral on these loans is real estate, additional adverse developments affecting real estate values in our market area could increase the credit risk associated with our real estate loan portfolio.

The effects of ongoing real estate challenges, combined with the ongoing correction in commercial and residential real estate market prices and reduced levels of home sales, have adversely affected our real estate loan portfolio and have the potential to further adversely affect such portfolio in several ways, each of which could further adversely impact our financial condition and results of operations.

Real estate market volatility and future changes in disposition strategies could result in net proceeds that differ significantly from fair value appraisals of loan collateral and OREO and could negatively impact our operating performance.

Many of our nonperforming real estate loans are collateral-dependent, meaning the repayment of the loan is largely dependent upon the successful operation of the property securing the loan. For collateral-dependent loans, we estimate the value of the loan based on appraised value of the underlying collateral less costs to sell. Our OREO portfolio consists of properties acquired through foreclosure in partial or total satisfaction of certain loans as a result of borrower defaults. OREO is recorded at the lower of the recorded investment in the loans for which the property served as collateral or estimated fair value, less estimated selling costs. In determining the value of OREO properties and loan collateral, an orderly disposition of the property is generally assumed. Significant judgment is required in estimating the fair value of property and the period of time within which such estimates can be considered current is significantly shortened during periods of market volatility.

A return of recessionary conditions could result in increases in our level of nonperforming loans and/or reduced demand for our products and services, which could lead to lower revenue, higher loan losses and lower earnings.

A return of recessionary conditions and/or continued negative developments in the domestic and international credit markets may significantly affect the markets in which we do business, the value of our loans and investments and our ongoing operations, costs and profitability. Declines in real estate values and sales volumes and increased unemployment levels may result in higher than expected loan delinquencies, increases in our levels of nonperforming and classified assets and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, liquidity and financial condition.

Our allowance for loan losses may be insufficient to absorb potential losses in our loan portfolio.

We maintain an allowance for loan losses at a level we believe adequate to absorb estimated losses inherent in our existing loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; credit loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unidentified losses inherent in the current loan portfolio.

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Determination of the allowance is inherently subjective since it requires significant estimates and management's judgment of credit risks and future trends, all of which may undergo material changes. For example, the allowance for September 30, 2013 included an amount reserved for other not specifically identified risk factors. Continuing deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for loan losses. In addition, bank regulatory agencies periodically review our allowance and may require an increase in the provision for loan losses or the recognition of additional loan charge-offs, based on judgments different from those of management. In addition, if charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance. Any increases in provisions will result in a decrease in net income and capital and may have a material adverse effect on our financial condition and results of operations.

While lower in 2013, our provision for loan losses has been elevated during the last several years and we may be required to make increases in our provision for loan losses and to charge-off additional loans in the future.

For the first nine months of 2013 and for the year ended December 31, 2012, we recorded a provision for loan losses of $(6.1) million and $6.3 million, respectively. We also recorded net loan charge-offs of $3.0 million and $19.7 million for the nine months ended September 30, 2013 and the year ended December 31, 2012, respectively. Our nonperforming assets totaled $96.8 million, or 4.76% of total assets, at September 30, 2013. Additionally, classified assets were $118.0 million at September 30, 2013. If the economy and/or the real estate market continue to weaken, more of our classified assets may become nonperforming and we may be required to take additional provisions to increase our allowance for loan losses for these assets as the value of the collateral may be insufficient to pay any remaining net loan balance, which could have a negative effect on our results of operations. We maintain an allowance for loan losses to provide for loans in our portfolio that may not be repaid in their entirety. We believe that our allowance for loan losses is maintained at a level adequate to absorb probable losses inherent in our loan portfolio as of the corresponding balance sheet date. However, our allowance for loan losses may not be sufficient to cover actual loan losses and future provisions for loan losses could materially adversely affect our operating results.

The size of our loan portfolio has declined in recent periods, and, if we are unable to return to loan growth, our profitability may be adversely affected.

Since December 31, 2010, our gross loans held for investment have declined by 36.2% while our total assets have declined by 4.3%. During this period, we were managing our balance sheet composition to manage our capital levels and position the Bank to meet and exceed its targeted capital levels. Management's efforts have reduced our nonperforming assets by 68.6% over this same period. Among other things, our current strategic plan calls for continued reductions in the amount of our nonperforming assets and returning to growth in our loan portfolio to improve our net interest margin and profitability. Our ability to increase profitability in accordance with this plan will depend on a variety of factors, including our ability to originate attractive new lending relationships. While we believe we have the management resources and lending staff in place to successfully achieve our strategic plan, if we are unable to increase the size of our loan portfolio, our strategic plan may not be successful and our profitability may be adversely affected.

Our business is concentrated in and dependent upon the welfare of several counties in Illinois specifically and the State of Illinois generally.

Our primary market area is Aurora, Illinois, and the surrounding communities as well as southwestern Cook County. The city of Aurora is located in northeastern Illinois, approximately 40 miles west of

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Chicago. The Bank operates primarily in Kane, Kendall, DeKalb, DuPage, LaSalle, Will and Cook Counties in Illinois, and, as a result, our financial condition, results of operations and cash flows are subject to changes and fluctuations in the economic conditions in those areas.

The communities that we serve grew rapidly over the past decade. We intend to continue concentrating our business efforts in these communities, and our future success is largely dependent upon the overall economic health of these communities. However, since late 2007, the U.S. economy has generally experienced difficult economic conditions, and the State of Illinois's financial condition continues to be among the most troubled of any state in the United States. Weak economic conditions are characterized by, among other indicators, deflation, unemployment, fluctuations in debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines and lower home sales and commercial activity. All of those factors are generally detrimental to our business. If the overall economic conditions fail to significantly improve or continue to decline further, particularly within our primary market areas, we could experience a lack of demand for our products and services, an increase in loan delinquencies and defaults and high or increased levels of problem assets and foreclosures. Moreover, because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets.

Similarly, we have credit exposure to entities or in industries that could be impacted by the continued financial difficulties at the state level. Exposure to health care, construction and social services organizations has been reviewed to evaluate credit impact from a possible reorganization of state finances. Credit downgrades, partial charge-offs and specific reserves could develop in this exposure with resulting impact on our financial condition if the State of Illinois encounters more severe payment issuance capabilities.

We operate in a highly competitive industry and market area, and we may not be able to continue to effectively compete.

We face substantial competition in all areas of our operations from a variety of different competitors, many of which are larger and have more financial resources. Our competitors primarily include national and regional banks as well as community banks within the markets we serve. We also face competition from savings and loan associations, credit unions, personal loan and finance companies, retail and discount stockbrokers, investment advisors, mutual funds, insurance companies and other financial intermediaries. For example, in Kane and Kendall Counties, the Bank faced competition from 196 bank branches representing 42 different financial institutions (including us) according to the June 30, 2013, FDIC share of deposit data. The financial services industry could become even more competitive as a result of legislative and regulatory changes. Banks, securities firms and insurance companies can merge under the umbrella of a financial holding company, which can offer the wide spectrum of financial services to many customer segments. Many large scale competitors can leverage economies of scale and be able to offer better pricing for products and services compared to what we can offer.

Our ability to compete successfully depends on developing and maintaining long-term customer relationships, offering community banking services with features and pricing in line with customer interests and expectations, consistently achieving outstanding levels of customer service and adapting to many and frequent changes in banking as well as local or regional economies. Failure to excel in these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability. These weaknesses could have a significant negative impact on our business, financial condition and results of operations.

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We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank, and our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values: being an integral part of the communities we serve; delivering superior service to our customers; and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and our operating results may be adversely affected.

We are subject to interest rate risk, and a change in interest rates could have a negative effect on our net income.

Our earnings and cash flows are largely dependent upon our net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, our competition and policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence the amount of interest we earn on loans and securities and the amount of interest we incur on deposits and borrowings. Such changes could also affect our ability to originate loans and obtain deposits as well as the average duration of our securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings.

Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations.

Monetary policies and regulations of the Federal Reserve could adversely affect our business, financial condition and results of operations.

The policies of the Federal Reserve also have a significant impact on us. Among other things, the Federal Reserve's monetary policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits and can also affect the value of financial instruments we hold and the ability of borrowers to repay their loans, which could have a material adverse effect on us.

If we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our ability to maintain regulatory compliance, would be adversely affected.

Old Second and the Bank must meet minimum regulatory capital requirements and maintain sufficient liquidity. We also face significant capital and other regulatory requirements as a financial institution. Our ability to raise additional capital, when and if needed, will depend on conditions in the economy and capital markets, and a number of other factors, including investor perceptions regarding Old Second, the banking industry and market condition and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations could be materially and adversely affected.

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***We could experience an unexpected inability to obtain needed liquidity*.**

Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities and is essential to a financial institution's business. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets and its access to alternative sources of funds. We seek to ensure that our funding needs are met by maintaining an appropriate level of liquidity through asset and liability management. If we become unable to obtain funds when needed, it could have a material adverse effect on our business, financial condition and results of operations.

Loss of customer deposits due to increased competition could increase our funding costs.

We rely on bank deposits to be a low cost and stable source of funding. We compete with banks and other financial services companies for deposits. If our competitors raise the rates they pay on deposits, our funding costs may increase, either because we raise our rates to avoid losing deposits or because we lose deposits and must rely on more expensive sources of funding. Higher funding costs could reduce our net interest margin and net interest income and could have a material adverse effect on our financial condition and results of operations.

We rely on the accuracy and completeness of information about customers and counterparties.

We rely on information furnished by or on behalf of customers and counterparties in deciding whether to extend credit or enter into other transactions. This information could include financial statements, credit reports and other financial information. We also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on our business, financial condition and results of operations.

Our estimate of fair values for our investments may not be realizable if we were to sell these securities immediately.

Our available-for-sale securities are carried at fair value. Accounting standards require us to categorize these securities according to a fair value hierarchy. As of September 30, 2013, approximately 0.4% of our available-for-sale securities were categorized in Level 1 of the fair value hierarchy (meaning that the fair values were based on quoted market prices). Approximately, 57% of our available-for-sale securities were categorized in Level 2 of the fair value hierarchy (meaning that their fair values were determined by quoted prices for similar instruments or other observable inputs). The remaining securities were categorized as Level 3. The determination of fair value for securities categorized in Level 3 involves our significant judgment due to the complexity of the factors contributing to the valuation, many of which are not readily observable in the market. The market disruptions in recent years, and the resulting fluctuations in fair value, make the valuation process even more difficult and subjective.

We may be materially and adversely affected by the highly regulated environment in which we operate.

We are subject to extensive federal and state regulation, supervision and examination. Banking regulations are primarily intended to protect depositors' funds, FDIC funds, customers and the banking system as a whole, rather than our shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things.

As a bank holding company, we are subject to extensive regulation and supervision and undergo periodic examinations by our regulators, who have extensive discretion and authority to prevent or remedy unsafe or unsound practices or violations of law by banks and bank holding companies. Failure to comply with applicable laws, regulations or policies could result in sanctions by regulatory agencies, civil monetary penalties and/or damage to our reputation, which could have a material adverse effect on us. Although we have policies and procedures designed to mitigate the risk of any such violations, there can be no assurance that such violations will not occur.

Although a more detailed description of the primary federal and state banking laws and regulations that affect us is contained in our Form 10-K for the year ended December 31, 2012 under the section captioned "Supervision and Regulation," the laws, regulations, rules, standards, policies and interpretations governing us are constantly evolving and may change significantly over time. For example, on July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law, which significantly changed the regulation of financial institutions and the financial services industry. The Dodd-Frank Act, together with the regulations to be developed thereunder, includes provisions affecting large and small financial institutions alike, including several provisions that affect how community banks, thrifts and small bank and thrift holding companies will be regulated. In addition, the Federal Reserve, in recent years, has adopted numerous new regulations addressing banks' overdraft and mortgage lending practices. Further, the Consumer Financial Protection Bureau was recently established, with broad powers to supervise and enforce consumer protection laws, and additional consumer protection legislation and regulatory activity is anticipated in the near future.

In addition, in July 2013, the U.S. federal banking authorities approved the implementation of the Basel III regulatory capital reforms and issued rules effecting certain changes required by the Dodd-Frank Act (the "Basel III Rules"). The Basel III Rules are applicable to all U.S. banks that are subject to minimum capital requirements as well as to bank and saving and loan holding companies, other than "small bank holding companies" (generally bank holding companies with consolidated assets of less than $500 million). The Basel III Rules not only increase most of the required minimum regulatory capital ratios, they introduce a new Common Equity Tier 1 Capital ratio and the concept of a capital conservation buffer. The Basel III Rules also expand the current definition of capital by establishing additional criteria that capital instruments must meet to be considered Additional Tier 1 Capital (i.e., Tier 1 Capital in addition to Common Equity) and Tier 2 Capital. A number of instruments that now generally qualify as Tier 1 Capital will not qualify or their qualifications will change when the Basel III Rules are fully implemented. However, the Basel III Rules permit banking organizations with less than $15 billion in assets to retain, through a one-time election, the existing treatment for accumulated other comprehensive income, which currently does not affect regulatory capital. The Basel III Rules have maintained the general structure of the current prompt corrective action thresholds while incorporating the increased requirements, including the Common Equity Tier 1 Capital ratio. In order to be a "well-capitalized" depository institution under the new regime, an institution must maintain a Common Equity Tier 1 Capital ratio of 6.5% or more; a Tier 1 Capital ratio of 8% or more; a Total Capital ratio of 10% or more; and a leverage ratio of 5% or more. Institutions must also maintain a capital conservation buffer consisting of Common Equity Tier 1 Capital. Generally, financial institutions will become subject to the Basel III Rules on January 1, 2015 with a phase-in period through 2019 for many of the changes.

These provisions, as well as any other aspects of current or proposed regulatory or legislative changes to laws applicable to the financial industry, may impact the profitability of our business activities and may change certain of our business practices, including our ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads and could expose us to additional costs, including increased compliance costs. These changes also may require us to invest significant management attention and resources to make any necessary changes to operations in order to comply and

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could therefore also materially and adversely affect our business, financial condition and results of operations.

We and our subsidiaries are subject to changes in accounting principles, policies or guidelines.

Our financial performance is impacted by accounting principles, policies and guidelines. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses.

From time to time, the Financial Accounting Standards Board and the SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our external financial statements. These changes are beyond our control, can be difficult to predict and could materially impact how we report our financial condition and results of operations.

Changes in these standards are continuously occurring, and given the current economic environment, more drastic changes may occur. The implementation of such changes could have a material adverse effect on our financial condition and results of operations.

We are a bank holding company and the sources of funds available to us to meet our obligations are limited.

We are a bank holding company, and our operations are primarily conducted by the Bank, which is subject to significant federal and state regulation. Cash available to pay our dividend and interest obligations, expenses and to meet our debt service requirements is derived primarily from dividends received from the Bank. We have not received dividends from the Bank since 2010 and future dividend payments by the Bank to us will require generation of future earnings by the Bank and are subject to certain regulatory guidelines and approval requirements. If the Bank is unable to pay dividends to us, we may not have the resources or cash flow to meet all of our obligations.

Our controls and procedures may fail or be circumvented.

Management regularly reviews and updates our loan underwriting and monitoring process, internal controls, disclosure controls and procedures and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, financial condition and results of operations.

Loss of key employees may disrupt relationships with certain customers.

Our business is primarily relationship-driven in that many of our key employees have extensive customer relationships. Loss of key employees with these customer relationships may lead to the loss of business if the customers were to follow that employee to a competitor. While we believe our relationships with our key personnel are strong, we cannot guarantee that all of our key personnel will remain with the organization. Loss of such key personnel, particularly including the entrance into employment relationships with one of our competitors, could result in the loss of some of our customers, which could have a negative impact on our business, financial condition and results of operations.

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Our information systems may experience an interruption or breach in security.

We rely heavily on internal and outsourced technologies, communications and information systems to conduct our business. As our reliance on technology has increased, so have the potential risks of a technology-related operation interruption (such as disruptions in our customer relationship management, general ledger, deposit, loan or other systems) or the occurrence of a cyber-incident (such as unauthorized access to our systems). Cyber-incidents can result from deliberate attacks or unintentional events, including (i) gaining unauthorized access to automated systems for purposes of misappropriating assets or sensitive information, corrupting data or causing operational disruptions; (ii) causing denial-of-service attacks on websites; or (iii) intelligence gathering and social engineering aimed at obtaining information. The occurrence of an operational interruption or a deficiency in the cyber-security of our technology systems (internal or outsourced) could negatively impact our financial condition or results of operations.

We are dependent upon outside third parties for processing and handling our records and data.

We rely on software developed by third party vendors to process various transactions. In some cases, we have contracted with third parties to run their proprietary software on our behalf. These systems include, but are not limited to, general ledger, payroll, wealth management record keeping and securities portfolio management. While we perform a review of controls instituted by the vendor over these programs in accordance with industry standards and institutes our own user controls, we must rely on the continued maintenance of performance controls by the outside party, including safeguards over the security of customer data. We may incur a temporary disruption in our ability to conduct our business or process our transactions, or incur damage to our reputation if the third party vendor fails to adequately maintain internal controls or institute necessary changes to systems. Such disruption or breach of security may have a material adverse effect on our financial condition and results of operations.

RISKS RELATED TO OUR EFFORTS TO RAISE CAPITAL

This offering will be highly dilutive to our existing common shareholders.

If successful, this offering will result in the issuance of a significant number of shares of our common stock and will be highly dilutive to our existing common shareholders and their voting power. In addition, after the closing of this offering, we may issue additional shares of our common stock to a certain holder of our Series B Preferred Stock as part of the consideration for the repurchase of shares of Series B Preferred Stock. See the section entitled "Capitalization" for more information. The market price of our common stock could decline as a result of the dilutive effect of this offering.

This offering could result in one or more private investors owning a significant percentage of our stock and having the ability to exert influence over our management and operations.

It is possible that one or more investors could end up as the owner of a significant portion of our common stock if, for example, such investor makes a significant investment in our common stock in this offering. Any such significant shareholder could exercise influence on matters submitted to our shareholders for approval, including the election of directors. In addition, having a significant shareholder could make future transactions more difficult or even impossible to complete without the support of such shareholder, whose interests may not coincide with interests of smaller shareholders. These possibilities could have an adverse effect on the market price of our common stock. We currently do not expect to sell a significant portion of our common stock to any single investor in this offering but cannot make any assurances that we will not do so.

As noted below, if we are deemed to experience an ownership change under U.S. federal income tax laws, it could negatively affect our ability to utilize our net operating loss and income tax credit

carryforwards and other deferred tax assets, such as built-in losses on certain assets, in the future. We expect to limit the amount of stock acquired by any single investor or group of investors in this offering to avoid an ownership change under the U.S. federal income tax laws. It is possible, however, that we will agree to sell a number of shares of our common stock in this offering to an investor or group of investors that could cause such an ownership change, which could preclude us from utilizing a portion of our deferred tax assets.

It is possible that the sale of our common stock in this offering and the issuance of common stock in exchange for our Series B Preferred Stock may trigger an ownership change under federal tax law that could negatively affect our ability to utilize our deferred tax assets in the future.

In the third quarter of 2013, we reported net income of $72.9 million, which included a $70.0 million benefit from the reversal of the vast majority of our valuation allowance against our deferred tax assets. Deferred tax assets represent the tax effect of the difference between the book and tax basis of our assets and liabilities. However, under federal tax law, our ability to utilize our deferred tax assets may be limited if we are deemed to experience an ownership change pursuant to Section 382 of the Internal Revenue Code of 1986, as amended. Such a change could result in the loss of a portion of the benefit of these deferred tax assets. We implemented the Tax Benefits Preservation Plan at our 2013 annual meeting to help protect our ability to utilize our deferred tax assets. As noted above, we currently intend to limit the amount of stock acquired by any single investor or group of investors in this offering to avoid an ownership change under the federal tax laws that could preclude us from utilizing our deferred tax assets. However, we may issue shares of our common stock in this offering or following the closing of this offering to certain holders of our Series B Preferred Stock as part of the consideration for the repurchase of such shares of Series B Preferred Stock in an amount that exceeds the limits of common stock currently set forth in our Tax Benefits Preservation Plan. Pursuant to the terms of the Tax Benefits Preservation Plan, our board may amend the Tax Benefits Preservation Plan to exclude this offering and the exchange of our Series B Preferred Stock or determine not to redeem the Rights (as defined below) in its sole discretion. We can make no assurances that our board will amend the Tax Benefits Preservation Plan or determine not to redeem the Rights.

Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management's determination of whether the deferred tax assets are realizable include our performance, including the ability to generate taxable net income. If, based on available information, it is more likely than not that the deferred tax assets will not be realized in any subsequent period, then a valuation allowance must be established with a corresponding charge to income tax expense. Consequently, although we reversed the vast majority of the valuation allowance against our deferred tax assets in the third quarter of 2013, future facts and circumstances may require us to re-establish a valuation allowance. Charges to re-establish a valuation allowance with respect to our deferred tax assets could have a material adverse effect on our financial condition and results of operations.

We will retain broad discretion in using some of the net proceeds from this offering.

The primary purpose of this offering is to allow us to repurchase a portion of the Series B Preferred Stock, which we may do if we meet certain conditions. Assuming we are successful in raising aggregate gross cash proceeds of $ in this offering, we anticipate net proceeds available to us, after paying offering expenses, to be approximately $. We intend to use these net proceeds to repurchase a portion of the Series B Preferred Stock and to pay all accrued but unpaid interest on the Trust Preferred Securities and the accumulated and unpaid dividends on the Series B Preferred Stock.

The underwriters of this offering have the option to purchase up to an aggregate of additional shares of our common stock at the public offering price, less the underwriting discount and commission set

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forth on the cover page of this prospectus. If the underwriters exercise this option, it would result in additional net cash proceeds to us of up to approximately $. We currently do not have any specific plans as to how such additional cash proceeds would be used, and our management will retain broad discretion to allocate any net proceeds of this offering in excess of the amount used to repurchase a portion of the Series B Preferred Stock. Management's failure to use any such excess net proceeds effectively could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATED TO OUR COMMON STOCK

We have not paid dividends since the third quarter of 2010, and we cannot ensure that we will be able to pay dividends in the future.

On July 22, 2011, we entered into the Written Agreement with the Federal Reserve, which was designed to maintain the financial soundness of Old Second. Pursuant to the Written Agreement, we are prohibited from declaring or paying any dividend, or taking dividends or other payments representing a reduction in the Bank's capital, without the prior written consent of the Federal Reserve. Although the Consent Order that we entered into with the OCC was terminated in October 2013, we are still subject to the Written Agreement and, consequently, cannot declare or pay dividends on our common or preferred stock without the consent of the Federal Reserve. The dividend restrictions contained in the Written Agreement will remain in effect following this offering until the Federal Reserve modifies, terminates or rescinds the Written Agreement.

The Federal Reserve also has issued Federal Reserve Supervision and Regulation Letter SR-09-4, which requires bank holding companies to inform and consult with Federal Reserve supervisory staff prior to declaring and paying a dividend that exceeds earnings for the period for which the dividend is being paid. Under this regulation, if we experience losses in a series of consecutive quarters, we may be required to inform and consult with the Federal Reserve supervisory staff prior to declaring or paying any dividends. In this event, there can be no assurance that our regulators will approve the payment of such dividends. In addition, as a Delaware corporation, we are subject to the limitations of the Delaware General Corporation Law (the "DGCL"). The DGCL allows us to pay dividends only out of our surplus (as defined and computed in accordance with the provisions of the DGCL) or, if we have no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

Holders of our common stock are also only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. We are currently prohibited from paying any cash dividends on our common stock. Even when such prohibitions end, there are restrictions on our ability to pay cash dividends that will likely continue to materially limit our ability to pay cash dividends. We cannot provide any assurances of when we may pay cash dividends in the future. See the section entitled "Dividend Policy" for more information.

Finally, as discussed below, we are also currently deferring the regularly scheduled quarterly payments on our outstanding Trust Preferred Securities and our outstanding shares of Series B Preferred Stock and are prohibited from paying any cash dividends on our common stock until all unpaid dividends and distributions on such senior securities have been paid in full. Although we anticipate paying the accrued but unpaid interest on our Trust Preferred Securities and the unpaid dividends on our Series B Preferred Stock with the proceeds of this offering, we cannot guarantee that the Federal Reserve will grant the approvals necessary to repay the interest on the Trust Preferred Securities. Consequently, we cannot guarantee that we will be able to pay such amounts following this offering.

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We have deferred interest payments on our Trust Preferred Securities and dividends on the Series B Preferred Stock, and the failure to resume payments may adversely affect us and our shareholders.

On August 31, 2010, we announced that we elected to defer regularly scheduled interest payments on our Trust Preferred Securities. The total accrued interest on the Trust Preferred Securities, including compounded interest on the deferred payments, totaled $15.7 million at September 30, 2013. The accrued but unpaid interest on the Trust Preferred Securities must be paid before we can repurchase all or any portion of the Series B Preferred Stock.

On August 31, 2010, we also announced that we elected to defer quarterly cash dividends on our Series B Preferred Stock. Dividend payments on the Series B Preferred Stock may be deferred without default but the dividends are cumulative. The dividend rate on the Series B Preferred Stock is 5% per annum through February 2014 and 9% per annum thereafter. In addition, following Treasury's auction of the Series B Preferred Stock in the first quarter of 2013, we elected to stop accruing the dividend on the Series B Preferred Stock. Given the discount reflected in the results of the auction, we believed that we would likely be able to repurchase the Series B Preferred Stock at a price less than the face amount of the Series B Preferred Stock plus unpaid dividends. Although we have stopped accruing the dividend, dividends on the Series B Preferred Stock have continued to accumulate and we can make no assurances that we will not be required to pay all unpaid dividends on the Series B Preferred Stock. As of September 30, 2013, the accumulated and unpaid Series B Preferred Stock dividends totaled $12.3 million.

We are allowed to defer payments of interest for 20 quarterly periods on the Trust Preferred Securities without default or penalty, but such amounts will continue to accumulate. Also during the deferral period, we generally may not pay cash dividends on or repurchase our common stock or preferred stock, including the Series B Preferred Stock. The terms of the Series B Preferred Stock also prevent us from paying cash dividends on or repurchasing our common stock while Series B Preferred Stock dividends are in arrears. Although we intend to use a portion of the proceeds of this offering to pay the outstanding interest on the Trust Preferred Securities and the unpaid dividends on the Series B Preferred Stock, we must receive the approval of the Federal Reserve pursuant to the Written Agreement in order to make such payments. We cannot guarantee that the Federal Reserve will grant the approvals necessary to repay the interest on the Trust Preferred Securities or the dividends on the Series B Preferred Stock with the proceeds of this offering, and, consequently, we cannot guarantee that we will be able to pay such amounts following this offering. See the section entitled "Dividend Policy" for more information.

The holders of our debt have rights that are senior to those of our shareholders.

We currently have a $45.5 million credit facility with a correspondent lender, which includes $45.0 million of subordinated debt and $500,000 in term debt. As of September 30, 2013, the $45.0 million in principal of subordinated debt and the $500,000 in principal of term debt were outstanding. The term debt and subordinated debt mature on March 31, 2018. The term debt portion of the senior debt is secured by all of the capital stock of the Bank. The agreement covering the credit facility contains the usual and customary provisions regarding the acceleration of senior debt upon an event of default. As of September 30, 2013, we were out of compliance with the financial covenant in the agreement governing the credit facility regarding the level of nonperforming loans to the Bank's Tier 1 capital and, as a result, were in default on the $500,000 in term debt currently outstanding under the senior debt portion of the credit facility. As a result of our default under the term debt, it is possible that our lender could seek to accelerate the $500,000 outstanding on the term debt and, if we are unable to pay such amount, seek to recover on its secured interest in the capital stock of the Bank. In addition, as of September 30, 2013, we also had $58.4 million in junior subordinated debentures related to the Trust Preferred Securities outstanding. Payments of the principal and interest on the Trust Preferred Securities are conditionally guaranteed by us to the extent the trusts have funds available for such obligations.

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The rights of the holders of our senior debt, subordinated debt and junior subordinated debentures are senior to the shares of our common stock and preferred stock. As a result, we must make payments on our senior debt, subordinated debt and junior subordinated debentures (and the related Trust Preferred Securities) before any dividends can be paid on our common stock or preferred stock and, in the event of our bankruptcy, dissolution or liquidation, the holders of our senior debt, subordinated debt and junior subordinated debentures must be satisfied before any distributions can be made to our shareholders.

The holders of our senior preferred stock have rights that are senior to those of our common shareholders.

In January 2009, we issued and sold 73,000 shares of our Series B Preferred Stock, which ranks senior to our common stock in the payment of dividends and on liquidation, to Treasury in connection with the CPP (together with the warrant to acquire 815,339 shares of our common stock) for $73.0 million. During the first quarter of 2013, Treasury sold all of our Series B Preferred Stock to third-party investors, including certain of our directors, in public auctions. We intend to use a portion of the proceeds of this offering to pay the outstanding interest on the Trust Preferred Securities and the unpaid dividends on the Series B Preferred Stock and to repurchase a portion of our Series B Preferred Stock although we must receive the approval of the Federal Reserve pursuant to the Written Agreement in order to make such payments. In the event of our bankruptcy, dissolution or liquidation, the holders of the Series B Preferred Stock will receive distributions of our available assets prior to the holders of our common stock but after the holders of our senior debt, subordinated debt and junior subordinated debentures.

Our common stock trading volumes may not provide adequate liquidity for investors.

Shares of our common stock are listed on NASDAQ; however, the average daily trading volume in our common stock is less than that of most larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of a sufficient number of willing buyers and sellers of the common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. This capital offering is likely to positively impact the liquidity in our common stock; however, we cannot be sure this expectation will materialize. Given the current daily average trading volume of our common stock, if there is no change in liquidity as a result of this offering, significant sales of our common stock in a brief period of time, or the expectation of these sales, could cause a significant decline in the price of our stock.

The trading price of our common stock may be subject to continued significant fluctuations and volatility.

The market price of our common stock could be subject to significant fluctuations due to, among other things:

- actual or anticipated quarterly fluctuations in our operating and financial results, particularly if such results vary from the expectations of management, securities analysts and investors, including with respect to further loan losses we may incur;
- announcements regarding significant transactions in which we may engage, including this offering;
- market assessments regarding such transactions, including the timing, terms and likelihood of success of this offering;
- changes or perceived changes in our operations or business prospects;
- legislative or regulatory changes affecting our industry generally or our businesses and operations;
- the failure of general market and economic conditions to stabilize and recover, particularly with respect to economic conditions in Illinois, and the pace of any such stabilization and recovery;

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- the operating and share price performance of companies that investors consider to be comparable to us;
- future offerings by us of debt, preferred stock or trust preferred securities, each of which would be senior to our common stock upon liquidation and for purposes of dividend distributions;
- actions of our current shareholders, including future sales of common stock by existing shareholders and our directors and executive officers; and
- other changes in U.S. or global financial markets, economies and market conditions, such as interest or foreign exchange rates, stock, commodity, credit or asset valuations or volatility.

Stock markets in general, and our common stock in particular, have experienced significant volatility since 2007 and continue to experience significant price and volume volatility. As a result, the market price of our common stock may continue to be subject to similar market fluctuations that may or may not be related to our operating performance or prospects. Increased volatility could result in a decline in the market price of our common stock.

Holders of our Series B Preferred Stock have certain voting rights that may adversely affect our common stock holders, and the holders of the Series B Preferred Stock may have interests different from our common shareholders.

As a consequence of missing the sixth dividend payment on our Series B Preferred Stock, Treasury had the right to appoint two directors to our board of directors until all unpaid dividends have been paid. Treasury exercised its right and appointed one director, Mr. Duane Suits, to our board of directors during the fourth quarter of 2012. In addition to holding a seat on our board of directors, the holders of the Series B Preferred Stock have limited voting rights, except as required by law or to the extent such rights are waived. For as long as shares of the Series B Preferred Stock are outstanding, in addition to any other vote or consent of the shareholders required by law or our certificate of incorporation, the vote or consent of holders of at least $66^2/_3$% of the shares of the Series B Preferred Stock outstanding is required for any authorization or issuance of shares ranking senior to the Series B Preferred Stock; any amendments to the rights of the Series B Preferred Stock that adversely affect the rights, privileges or voting power of the Series B Preferred Stock; or initiation and completion of any merger, share exchange or similar transaction unless the shares of Series B Preferred Stock remain outstanding, or, if we are not the surviving entity in such transaction, are converted into or exchanged for preferred securities of the surviving entity that have the same rights, preferences, privileges and voting power of the Series B Preferred Stock. The holders of our Series B Preferred Stock may have different interests from the holders of our common stock and could vote to block the forgoing transactions, even when considered desirable by, or in the best interests of, the holders of our common stock.

Any future offerings of debt, preferred stock or other securities, each of which would be senior to our common stock upon liquidation and for purposes of dividend distributions, and any future equity offerings may adversely affect the market price of our common stock.

We may attempt to increase our capital resources, or we, or the Bank, could be forced by federal and state bank regulators to raise additional capital by making additional offerings of debt or preferred equity securities, including medium-term notes, senior or subordinated notes and preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will receive distributions of our available assets prior to the holders of our outstanding shares of common stock. Additional equity offerings may dilute the holdings of our existing shareholders or reduce the market price of our common stock, or both. Holders of our common stock are not entitled to preemptive rights or other protections against dilution.

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Our board of directors is authorized to issue one or more classes or series of preferred stock from time to time without any action on the part of our shareholders. Our board of directors also has the power, without shareholder approval, to set the terms of any such classes or series of preferred stock that may be issued, including voting rights, dividend rights and preferences over our common stock with respect to dividends or upon our dissolution, winding-up and liquidation and other terms. Therefore, if we issue preferred stock in the future that has a preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our common stock or the market price of our common stock could be adversely affected.

Certain banking laws and our Tax Benefits Preservation Plan may have an anti-takeover effect.

Certain federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. In addition, our Tax Benefits Preservation Plan (discussed below) is intended to discourage any person from acquiring 5% or more of our outstanding stock (with certain limited exceptions). The combination of these provisions may inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock. See the section entitled "Anti-Takeover Provisions" for more information.

Investors could become subject to regulatory restrictions upon ownership of our common stock.

Under the federal Change in Bank Control Act, a person may be required to obtain prior approval from the Federal Reserve before acquiring the power to direct or indirectly control our management, operations or policy or before acquiring 10% or more of our common stock. As a result, potential investors who seek to participate in this offering should evaluate whether they could become subject to the approval and other requirements of this federal statute.

An investment in our common stock is not an insured deposit, and, thus, any investment is subject to loss.

The shares of our common stock offered in this offering are not savings accounts, deposits or other obligations of any of our bank or non-bank subsidiaries and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency. As a result, if you invest in our common stock, you could lose some or all of your investment.

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USE OF PROCEEDS

Our estimated net proceeds from this offering will be approximately $, or approximately $ if the underwriters exercise their over-allotment option in full, after deducting the underwriting discounts and commissions and other estimated expenses of this offering.

We currently expect to use the net proceeds from this offering as follows:

- to pay the accrued and unpaid interest on the Trust Preferred Securities, which totaled approximately $15.7 million as of September 30, 2013;

- to pay the unpaid dividends on the Series B Preferred Stock, to the extent necessary, which totaled approximately $12.3 million as of September 30, 2013;

- to pay all or a portion of the repurchase price for the repurchase of a portion of the Series B Preferred Stock from the certain of the current holders in privately negotiated transactions; and

- to use any remaining proceeds for general corporate purposes.

Subject to the terms of the Written Agreement, which we entered into with the Federal Reserve on July 22, 2011, we are required to receive approval from the Federal Reserve prior to making interest or dividend payments or repurchasing shares of the Series B Preferred Stock. We have formally requested that the Federal Reserve grant the necessary approvals to make the payments set forth above, but we cannot make any assurances as to when, or if, we will receive such approvals. Following this offering and once we receive the necessary approvals, we intend to act as quickly as possible to effect the payments and repurchases set forth above.

In June of 2003, we completed the sale of $27.5 million of Trust Preferred Securities and sold an additional $4.1 million of Trust Preferred Securities in July of 2003 through our unconsolidated subsidiary, Old Second Capital Trust I. In connection with the Trust Preferred Securities, we issued subordinated debentures to Old Second Capital Trust I in the original amount of $32.6 million. The subordinated debentures issued to Old Second Capital Trust I mature on June 30, 2033 and accrue interest at a rate of 7.80% per annum.

In addition, in April of 2007, we issued $25.0 million of Trust Preferred Securities through an additional, unconsolidated subsidiary, Old Second Capital Trust II. We issued subordinated debentures to Old Second Capital Trust II in the amount of $25.8 million in connection with the issuance of the Trust Preferred Securities. The Trust Preferred Securities issued by Old Second Capital Trust II mature on April 30, 2037, and accrue interest at a rate of 6.766% per annum from April 30, 2007 until June 15, 2017, and at a variable rate per annum, reset quarterly, equal to LIBOR plus 1.50% thereafter.

On January 16, 2009, we issued to Treasury (i) 73,000 shares of Series B Preferred Stock; and (ii) a warrant to purchase 815,339 shares of our common stock, all of which Treasury sold at auction during the first and second quarters of 2013, respectively, to third parties. Certain of our directors purchased, in the aggregate, 1,510 shares of our Series B Preferred Stock as part of these auctions. The issued and outstanding shares of Series B Preferred Stock have, in the aggregate, a liquidation value of $73.0 million. See the section entitled "Series B Preferred Stock" for more information. In accordance with our Capital Plan described under "Capital Plan and this Offering," we intend to use a portion of the net proceeds of this offering to repurchase a portion of our outstanding Series B Preferred Stock. As set forth in the non-binding letter of understanding we have negotiated with and delivered to a certain holder of our Series B Preferred Stock, we intend to repurchase approximately 33% of the shares of our outstanding Series B Preferred Stock at a price equal to 92.875% of their per share liquidation value if such repurchase is closed on or prior to March 15, 2014, and 94.75% if the repurchase is closed thereafter, provided that the

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holder of such shares enters into an agreement with us to forbear payment of any declared dividends on the Series B Preferred Stock and, upon payment of the repurchase price, to waive any rights to the accumulated and unpaid dividends on the Series B Preferred Stock. We may pay the repurchase price in cash, using a portion of the net proceeds from this offering, or in a combination of cash and shares of common stock, which will be issued in reliance on exemptions from registration under the Securities Act following the closing of this offering. We will not issue common stock in exchange for our Series B Preferred Stock to such holder in an amount in excess of 4.9% of our outstanding common stock after giving effect to the issuance of shares of common stock in this offering. If we issue our common stock as part of the repurchase price for the Series B Preferred Stock, such common stock will be issued at a price per share equal to the price at which shares of common stock are sold to the public in this offering (before giving effect to the underwriting discount). We are working towards the execution of a definitive agreement with this holder. The closing of the repurchase of Series B Preferred Stock will be conditioned on all of our directors who own Series B Preferred Stock selling their shares of such stock on substantially the same economic terms as those set forth above and our agreement not to repurchase our Series B Preferred Stock on terms more favorable than those set forth above from other holders for a period of 9 months from the date of repurchase discussed above. The closing of the repurchase of the Series B Preferred Stock will also be contingent on, and is expected to occur as quickly as possible following, the closing of this offering. The closing of this offering is not contingent on the repurchase of the Series B Preferred Stock, and there is no assurance that we will consummate any of the transactions contemplated by the letter of understanding. We may enter into agreements to repurchase Series B Preferred Stock from other holders of Series B Preferred Stock. Any repurchases of our Series B Preferred Stock are subject to the approval of our regulators.

We expect that some of the Series B Preferred Stock will remain issued and outstanding following this offering. If we consummate this offering, we intend to pay the unpaid dividends on all shares of the Series B Preferred Stock, subject to the terms of any forbearance agreements, regardless of whether we repurchase such shares.

The information in this prospectus regarding the proposed repurchase of Series B Preferred Stock is included herein solely for informational purposes. Nothing in this prospectus should be construed as an offer to buy, or the solicitation of an offer to sell, any of shares our Series B Preferred Stock, or an offer to sell, or the solicitation of an offer to buy, any of shares our common stock.

If the underwriters exercise their over-allotment option, it could result in additional net cash proceeds to us of approximately $. We currently do not have any specific plans as to how such additional cash proceeds would be used, and we will have broad discretion in how we use such proceeds.

Although we currently intend to use the proceeds from this offering in the manner described above, it is possible that other events could change our plans, and we may use any or all of the proceeds for other purposes.

Interests of Certain Directors

Gerald Palmer, John Ladowicz, Edward Bonifas, James Schmitz, James Eccher and Duane Suits, each of whom is a director, beneficially own, in the aggregate, 1,510 shares of our Series B Preferred Stock, representing 2.1% of the outstanding Series B Preferred Stock. These directors purchased the shares in the auctions conducted by Treasury during the first quarter of 2013. Following the offering, we expect to repurchase shares of our Series B Preferred Stock from these directors on substantially the same economic terms as we repurchase shares from other holders of our Series B Preferred Stock, which will be for a price higher than the directors paid for their shares. However, none of our directors would receive shares of our common stock in exchange for their shares of our Series B Preferred Stock. If we do not repurchase our directors' shares of Series B Preferred Stock for any reason, those directors will receive payment of their pro rata share of the accumulated and unpaid dividends on the Series B Preferred Stock. Our board has created a committee of directors who do not own or have an interest in our Series B Preferred Stock to approve the terms of any repurchases.

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CAPITALIZATION

The following table sets forth our capitalization and selected capital ratios as of September 30, 2013, reflecting the following three scenarios:

Actual capitalization as of September 30, 2013;

As adjusted capitalization as of September 30, 2013, giving effect to the issuance and sale of shares of common stock in this offering, assuming that the underwriters' over-allotment is not exercised, at the public offering price per share of $ (the last reported sale price of our common stock on January , 2014), net of underwriting discounts and commissions and estimated offering expenses;

As adjusted capitalization as of September 30, 2013, giving effect to the issuance and sale of common stock in this offering as described above, the payment of approximately $15.7 million of accrued but unpaid interest on the Trust Preferred Securities (which payment is required before we can repurchase the Series B Preferred Stock), the payment of approximately $ of the unpaid dividends on the Series B Preferred Stock and the repurchase a portion of our Series B Preferred Stock. This presentation assumes that we will repurchase shares of our Series B Preferred Stock at % of the stated liquidation value of the shares and that any unpaid dividends on such shares will be waived and that all of the repurchase price will be paid in cash; and

As adjusted capitalization as of September 30, 2013, giving effect to the issuance and sale of common stock in this offering as described above, the payment of approximately $15.7 million of accrued but unpaid interest on the Trust Preferred Securities (which payment is required before we can repurchase the Series B Preferred Stock) and the payment of approximately $ of the unpaid dividends on our Series B Preferred Stock. This presentation also assumes the repurchase of shares of our Series B Preferred Stock at % of the stated liquidation value and the waiver of any unpaid dividends on such shares. This presentation further assumes that 4.9% of our shares of common stock, after giving effect to the issuance of shares of common stock in this offering, will be issued to such holders of the Series B Preferred Stock in consideration of such repurchase, which is the maximum number of shares of common stock that we would issue in exchange for our Series B Preferred Stock.

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This table should be read in conjunction with the historical financial data included within this prospectus, including the consolidated financial statements (and notes thereto) incorporated in this prospectus by reference.

	As of September 30, 2013			
	Actual	As adjusted(1)	As adjusted(2)	As adjusted(3)
	(in thousands, except per share data) (unaudited)			
Debt, including current portion:				
Notes payable and other borrowings	$ 500			
Subordinated debt	45,000			
Junior subordinated debentures	58,378			
Total debt, including current portion	103,878			
Shareholders' Equity:				
Preferred stock	$ 72,667			
Common stock, $1.00 par value per share, authorized 60,000,000 shares actual and as adjusted; outstanding 13,917,108 shares actual and shares as adjusted	18,830			
Additional paid-in capital	66,168			
Retained earnings	92,612			
Accumulated other comprehensive (loss)	(12,435)			
Treasury stock, at cost	(95,803)			
Total stockholders' equity	142,039			
Per Common Share Values:				
Common book value	$ 4.98			
Tangible book value	$ 4.86			
Regulatory capital ratios (consolidated):				
Tier 1 leverage ratio	7.11%			
Tier 1 risk-based capital ratio	10.07%			
Total risk-based capital ratio	15.15%			
Tier 1 common equity to risk-weighted assets	0.61%			

(1) As adjusted to reflect the issuance and sale of common stock in this offering. Assumes $ in net proceeds from this offering.

(2) As adjusted to reflect the issuance and sale of common stock in this offering, assuming $ in net proceeds from this offering, our payment of accrued but unpaid interest on our Trust Preferred Securities and unpaid dividends on our Series B Preferred Stock, the repurchase of shares of our Series B Preferred Stock at % of the stated liquidation value and the waiver of any unpaid dividends on such shares.

(3) As adjusted to reflect the issuance and sale of common stock in this offering, assuming $ in net proceeds from this offering, our payment of accrued but unpaid interest on our Trust Preferred Securities and unpaid dividends on our Series B Preferred Stock, the repurchase of shares of our Series B Preferred Stock at % of the stated liquidation value and the waiver of any unpaid dividends on such shares. This presentation further assumes that the repurchase price will be paid in a combination of cash and shares of common stock and that 4.9% of our shares of common stock, after giving effect to the issuance of shares of common stock in this offering, will be issued to such holders of the Series B Preferred Stock.

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CAPITAL PLAN AND THIS OFFERING

We are conducting the offering described in this prospectus as part of a more comprehensive Capital Plan adopted by our board of directors and described below. The primary objectives of our Capital Plan are to ensure that we have the appropriate capital structure to allow us to continue to improve our asset quality, to return to sustained profitability and to maintain the minimum capital ratios established by the Bank's board of directors pursuant to resolutions adopted in January 2014. As of September 30, 2013, the Bank met both of the prescribed minimum capital ratios. However, another objective of our Capital Plan is to complete this offering and cause the repurchase of certain shares of the Series B Preferred Stock.

Capital Plan

In 2010, the Bank's board of directors approved and implemented the Capital Plan pursuant to which the Bank was required to maintain certain minimum capital ratios and work to improve its core capital. Since the Capital Plan was first implemented in 2010, the Bank's board of directors has routinely reviewed and updated the Capital Plan in response to the issues facing the Bank. In January 2014, the Bank's board of directors adopted resolutions amending the Capital Plan and providing that the Bank maintain a minimum Tier 1 leverage capital ratio at or above 8% and a total risk-based capital ratio at or above 12%. As set forth in the table below, the Bank met both of the required minimum capital ratios as of September 30, 2013.

	Old Second Bank Actual as of September 30, 2013	Minimum Ratios Established by Board	Required to be Well-Capitalized
Total risk-based capital ratio	17.08%	12.00%	10.00%
Tier 1 leverage capital ratio	11.08%	8.00%	5.00%

Although we have met the minimum capital ratios required by the Capital Plan, we are also seeking to repurchase certain shares of Series B Preferred Stock, which, as discussed below, requires the payment of the accrued but unpaid interest on the Trust Preferred Securities and the unpaid dividends on the Series B Preferred Stock.

Payment of Interest on Trust Preferred Securities and Dividends on Series B Preferred Stock and Repurchase of Series B Preferred Stock

On August 31, 2010, we elected to defer regularly scheduled interest payments on our Trust Preferred Securities and the quarterly dividend payments on our Series B Preferred Stock. We are currently still deferring all quarterly distributions on our Trust Preferred Securities and on all our Series B Preferred Stock. Pursuant to the instruments governing our Trust Preferred Securities, we are prohibited from paying any dividends on or redeeming or repurchasing any securities ranking junior to the Trust Preferred Securities, including the Series B Preferred Stock, unless we are current on all quarterly interest payments related to our Trust Preferred Securities. As a result, before we can repurchase the Series B Preferred Stock, we must pay all accrued but unpaid interest on the subordinated debentures we issued to our trust subsidiaries in connection with the Trust Preferred Securities. Such payment will allow those trust subsidiaries to pay all accrued but unpaid interest on our outstanding Trust Preferred Securities. As of September 30, 2013, the aggregate amount of accrued but unpaid interest on these Trust Preferred Securities was approximately $15.7 million and was approximately $17.0 million on December 31, 2013. As of September 30, 2013, the aggregate amount of unpaid dividends on the Series B Preferred Stock was approximately $12.3 million and was approximately $13.3 million as of December 31, 2013.

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We are currently prohibited under the terms of the Written Agreement from making any payments on our Trust Preferred Securities without the approval of the Federal Reserve. We have formally requested that the Federal Reserve grant the necessary approvals, but we cannot make any assurances as to when, or if, we will receive such approvals.

As discussed in greater detail in the section entitled "Series B Preferred Stock," on January 16, 2009, we entered into a Letter Agreement with Treasury in conjunction with the CPP pursuant to which we issued to Treasury (i) 73,000 shares of Series B Preferred Stock; and (ii) a warrant to purchase 815,339 shares of our common stock, all of which Treasury sold in auctions during the first quarter of 2013 to third parties, including certain of our directors. The issued and outstanding shares of Series B Preferred Stock have, in the aggregate, a liquidation value of $73.0 million.

In accordance with our Capital Plan described under "Capital Plan and this Offering," we intend to use a portion of the net proceeds of this offering to repurchase a portion of our outstanding Series B Preferred Stock. As set forth in the non-binding letter of understanding we have negotiated with and delivered to a certain holder of our Series B Preferred Stock, we intend to repurchase approximately 33% of the shares of our outstanding Series B Preferred Stock at a price equal to 92.875% of their per share liquidation value if such repurchase is closed on or prior to March 15, 2014, and 94.75% if the repurchase is closed thereafter, provided that the holder of such shares enters into an agreement with us to forbear payment of any declared dividends on the Series B Preferred Stock and, upon payment of the repurchase price, to waive any rights to the accumulated and unpaid dividends on the Series B Preferred Stock. We may pay the repurchase price in cash, using a portion of the net proceeds from this offering, or in a combination of cash and shares of common stock, which will be issued in reliance on exemptions from registration under the Securities Act following the closing of this offering. We will not issue common stock in exchange for our Series B Preferred Stock to such holder in an amount in excess of 4.9% of our outstanding common stock after giving effect to the issuance of shares of common stock in this offering. If we issue our common stock as part of the repurchase price for the Series B Preferred Stock, such common stock will be issued at a price per share equal to the price at which shares of common stock are sold to the public in this offering (before giving effect to the underwriting discount). We are working towards the execution of a definitive agreement with this holder. The closing of the repurchase of Series B Preferred Stock will be conditioned on all of our directors who own Series B Preferred Stock selling their shares of such stock on substantially the same economic terms as those set forth above and our agreement not to repurchase our Series B Preferred Stock on terms more favorable than those set forth above from other holders for a period of 9 months from the date of the repurchase discussed above. The closing of the repurchase of Series B Preferred Stock will also be contingent on, and is expected to occur as quickly as possible following, the closing of this offering. The closing of this offering is not contingent on the repurchase of the Series B Preferred Stock, and there is no assurance that we will consummate any of the transactions contemplated by the letter of understanding. We may enter into agreements to repurchase Series B Preferred Stock from other holders of Series B Preferred Stock. Any repurchases of our Series B Preferred Stock are subject to the approval of our regulators. We expect that some of the Series B Preferred Stock will remain issued and outstanding following this offering. We intend, however, to pay the unpaid dividends on all shares of the Series B Preferred Stock, subject to the terms of any forbearance agreements, regardless of whether we repurchase such shares.

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MARKET PRICE AND DIVIDEND INFORMATION

Our common stock is currently listed on NASDAQ under the symbol "OSBC." As of January 9, 2014, we had 13,923,343 shares of our common stock outstanding, which were held by approximately 1,000 shareholders of record. The following table sets forth the high and low closing sales prices per share and the cash dividends declared per share of our common stock for the periods indicated. There were no cash dividends declared per share of our common stock for the dates presented.

	Closing Sales Price Per Share	
	Low	**High**
2014		
First Quarter ended March 31, 2014(1)	$ 4.42	$ 4.86
2013		
Fourth Quarter ended December 31, 2013	$ 4.16	$ 5.94
Third Quarter ended September 30, 2013	5.32	6.92
Second Quarter ended June 30, 2013	3.13	6.07
First Quarter ended March 31, 2013	1.20	3.75
2012		
Fourth Quarter ended December 31, 2012	$ 1.10	$ 1.65
Third Quarter ended September 30, 2012	1.28	1.75
Second Quarter ended June 30, 2012	1.15	1.93
First Quarter ended March 31, 2012	1.15	1.98

(1) Through January 16, 2014.

On January 16, 2014, the closing sales price of our common stock on NASDAQ was $4.69 per share.

Dividend Policy

We have not paid dividends on our common stock since the third quarter of 2010. There are restrictions that currently materially limit our ability to pay dividends on our common stock and that may continue to materially limit future payment of dividends on our common stock.

Current Prohibitions on Our Payment of Dividends

On July 22, 2011, we entered into the Written Agreement with the Federal Reserve, which was designed to maintain the financial soundness of Old Second. Pursuant to the Written Agreement, we are prohibited from declaring or paying any dividend, or taking dividends or other payments representing a reduction in the Bank's capital, without the prior written consent of the Federal Reserve. Although the Consent Order at the Bank level was terminated in October 2013, we are still subject to the Written Agreement and consequently cannot declare or pay dividends on our common or preferred stock without the consent of the Federal Reserve. The dividend restrictions contained in the Written Agreement will remain in effect following this offering until the Federal Reserve modifies, terminates or rescinds the Written Agreement.

We are also currently deferring the regularly scheduled quarterly payments on our outstanding Trust Preferred Securities and our outstanding shares of Series B Preferred Stock. As a result, we are prohibited from paying any cash dividends on our common stock until all unpaid dividends and distributions on such

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senior securities have been paid in full. Although we anticipate paying the accrued but unpaid interest on our Trust Preferred Securities and the unpaid dividends on our Series B Preferred Stock and repurchasing a portion of our Series B Preferred Stock as a result of this offering, we cannot guarantee that the Federal Reserve will grant the approvals necessary to repay the interest on the Trust Preferred Securities and the dividends on the Series B Preferred Stock. Consequently, we cannot guarantee that we will be able to pay dividends following this offering.

Other Restrictions

Other restrictions apply under federal and state law, which restrict our ability to pay dividends to our shareholders and the Bank's ability to pay dividends to us. Capital guidelines adopted by federal and state regulatory agencies and restrictions imposed by law limit the amount of cash dividends the Bank can pay to us. Under these guidelines, the amount of dividends that may be paid in any calendar year is limited to the Bank's current year's net profits combined with the retained net profits of the preceding two years.

In addition, as a Delaware corporation, we are subject to the limitations of the DGCL. The DGCL allows us to pay dividends only out of our surplus (as defined and computed in accordance with the provisions of the DGCL) or, if we have no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Finally, the Federal Reserve requires bank holding companies like us to act as a source of financial strength to their subsidiary banks. Accordingly, we are required to inform and consult with the Federal Reserve before paying dividends that could raise safety and soundness concerns. See "Business Supervision and Regulation" in our Annual Report on Form 10-K incorporated herein by reference for more information.

DESCRIPTION OF OUR CAPITAL STOCK

The following section is a summary and does not describe every aspect of our capital stock. In particular, we urge you to read our certificate of incorporation and bylaws, which describe the rights of holders of our capital stock. Our certificate of incorporation and bylaws are exhibits to the registration statement filed with the SEC of which this prospectus is a part.

General

Our authorized capital stock consists of 60,000,000 shares of common stock, $1.00 par value per share, and 300,000 shares of preferred stock, $1.00 par value per share (each as described below). As of January 9, 2014, there were 13,923,343 shares of common stock and 73,000 shares of Series B Preferred Stock outstanding. Additionally 10,000 shares of preferred stock have been designated Series A Junior Participating Preferred Stock, $1.00 par value per share (the "Series A Preferred Stock"), and have been reserved for issuance pursuant to the Tax Benefits Preservation Plan (as discussed below). As of the date hereof, no shares of Series A Preferred Stock have been issued. All of the outstanding shares of our common stock are fully paid and non-assessable. Our common stock is currently listed on NASDAQ under the symbol "OSBC."

The following description of the material terms of our capital stock and of our certificate of incorporation, bylaws and agreements with investors is only a summary. You should refer to our certificate of incorporation, bylaws and Tax Benefits Preservation Plan for their complete terms.

Preferred Stock

Our authorized capital stock includes 300,000 shares of preferred stock, $1.00 par value per share. Our board of directors is authorized to issue preferred stock in one or more series, to fix the number of shares in each series and to determine the designations and preferences, limitations and relative rights of each series, including dividend rates, terms of redemption, liquidation amounts, sinking fund requirements and conversion rights, all without any vote or other action on the part of our shareholders. This power is limited by applicable laws or regulations and may be delegated to a committee of our board of directors.

Series A Preferred Stock

As discussed in the section entitled "Anti-Takeover Provisions Tax Benefits Preservation Plan," we declared a dividend of one Right for each share of common stock in conjunction with the adoption of the Original Plan. Each Right represented the right to purchase one one-thousandth of a share of Series A Preferred Stock. Pursuant to the terms of the Tax Benefit Preservation Plan, one Right will be issued with each share of common stock purchased through this offering, which Right will be governed by the Tax Benefits Preservation Plan. This offering will not affect the holders of the Rights or the Series A Preferred Stock unless this offering otherwise triggers the Tax Benefits Preservation Plan.

Series B Preferred Stock

On January 16, 2009, we entered into a Letter Agreement with Treasury in conjunction with the CPP pursuant to which we issued to Treasury for an aggregate purchase price of $73.0 million in cash (i) 73,000 shares of Series B Preferred Stock; and (ii) a warrant to purchase 815,339 shares of our common stock. The Series B Preferred Stock has preferential dividend and liquidation rights over our common stock and pays cumulative dividends quarterly at a rate of 5% per annum through February 2014 and 9% per annum thereafter. In addition, holders of Series B Preferred Stock have limited voting rights in the event that we, among other things, authorize stock senior to the Series B Preferred Stock, amend the documents

governing the Series B Preferred Stock, initiate a share exchange or reclassification involving the Series B Preferred Stock or, in certain circumstances, consummate a merger or consolidation. Any action taken by the holders of the Series B Preferred Stock generally requires the vote or consent of $66^2/_3$% of the shares of Series B Preferred Stock then outstanding.

Dividend payments on the Series B Preferred Stock may be deferred without default, but the dividend is cumulative and therefore will continue to accumulate. However, if dividends on the Series B Preferred Stock are not paid for an aggregate of six quarters or more, the holders of the Series B Preferred Stock are allowed to appoint two directors to our board with our board automatically increasing by two to accommodate the new directors. The terms of the Series B Preferred Stock also prevent us from paying cash dividends on or repurchasing our common stock while the Series B Preferred Stock dividends are in arrears.

On August 31, 2010, we announced that we elected to defer dividends on the Series B Preferred Stock. In February 2012, as a result of our failure to pay the dividends on the Series B Preferred Stock for six quarters, Treasury, as the holder of our Series B Preferred Stock, had the right to appoint two representatives to our board of directors. Treasury exercised that right during the fourth quarter of 2012 and appointed one director, Mr. Duane Suits, to our board.

During the fourth quarter of 2012, Treasury announced the continuation of individual auctions of the preferred stock issued through the CPP and informed us that our Series B Preferred Stock would be auctioned. The auctions for our Series B Preferred Stock were held in the first quarter of 2013. As a result of the auctions, all of the shares of our Series B Preferred Stock were sold to third parties, including certain of our directors. In connection with the auction, the largest purchasers of our Series B Preferred Stock were required to enter into passivity agreements with the Federal Reserve. These passivity agreements restrict such holders' ability to exercise the limited voting rights granted to holders of Series B Preferred Stock, influence management's direction of Old Second, acquire additional Old Second securities above a certain threshold or otherwise exercise or exert control over Old Second. The warrant to purchase 815,339 shares of our common stock was also sold to a third-party investor in a separate auction.

After the auctions, the holders of the Series B Preferred Stock re-elected Mr. Suits, who was appointed to our board by Treasury, at our 2013 annual meeting to our board as the representative of the new holders of the Series B Preferred Stock. Once all unpaid dividends on the Series B Preferred Stock are paid, the holders of Series B Preferred Stock will no longer have the right to elect a board member and Mr. Suits will be removed from the board as a representative of the Series B Preferred Stock. In the event that we are able to pay all unpaid dividends on the Series B Preferred Stock as a result of this offering, we currently intend to appoint Mr. Suits to our board of directors as a standard director.

As of September 30, 2013, we carried $72.7 million of Series B Preferred Stock in total stockholders' equity and the accumulated and unpaid Series B Preferred Stock dividends totaled $12.3 million. Subject to certain restrictions, the Series B Preferred Stock may be redeemed or repurchased by us, subject to prior regulatory approval, at any time.

Common Stock

General

As of September 30, 2013, there were 407,500 shares of our common stock underlying options issued pursuant to our equity incentive plans; 45,368 shares of our common stock reserved for future issuance under our equity incentive plans; and 185,500 shares reserved for all non-vested restricted stock awards. Additionally, we have reserved 815,339 shares of our common stock for issuance upon exercise of the

warrant that was originally issued to Treasury pursuant to the CPP and subsequently sold to an individual investor at public auction.

Each share of our common stock has the same relative rights and is identical in all respects to every other share of our common stock. Our shares of common stock are neither redeemable nor convertible, and the holders thereof have no preemptive or subscription rights to purchase any of our securities.

Voting Rights

Each outstanding share of our common stock is entitled to one vote on all matters submitted to a vote of shareholders. There is no cumulative voting in the election of directors.

Liquidation Rights

Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive, *pro rata*, our assets which are legally available for distribution, after payment of all debts, including our Trust Preferred Securities and credit facility and our other liabilities. In addition, the rights of the holders of our common stock are subject to the prior rights of any holders of preferred stock then outstanding, including the holders of our Series B Preferred Stock.

Dividends Payable on Shares of Common Stock

In general, the holders of outstanding shares of our common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as our board of directors may from time to time determine. The ability of our board of directors to declare and pay dividends on our common stock may be affected by both general corporate law considerations and the Federal Reserve's policies governing bank holding companies. For a more detailed description on the restrictions limiting our ability to pay dividends, see the section entitled "Dividend Policy."

Anti-Takeover Provisions

Our certificate of incorporation, our bylaws and our Tax Benefits Preservation Plan, as well as certain federal regulations, may have the effect of discouraging, delaying or preventing a change in control or an unsolicited acquisition proposal that a shareholder might consider favorable, including a proposal that might result in the payment of a premium over the market price for the shares held by shareholders. These provisions are summarized in the following paragraphs.

Tax Benefits Preservation Plan

On September 12, 2012, we entered into the Amended and Restated Rights Agreement and Tax Benefits Preservation Plan, between Old Second and the Bank, as rights agent (the "Tax Benefits Preservation Plan"). The Tax Benefits Preservation Plan amended, restated and replaced the Rights Agreement, between Old Second and the Bank, as rights agent, dated as of September 17, 2002 (the "Original Plan"), which previously governed the preferred stock purchase rights (the "Rights") granted thereunder. The Tax Benefits Preservation Plan was approved by our shareholders at the 2013 annual meeting.

We implemented the Tax Benefits Preservation Plan to protect our ability to utilize certain deferred tax assets, including our net operating losses, to offset future income, which could be significantly limited if we experience an "ownership" change for U.S. federal income tax purposes. In general, an "ownership change" occurs if there is a cumulative change in our ownership by so called "5% shareholders" (as

defined under U.S. income tax laws) that exceeds 50% over a rolling three-year period. The Tax Benefits Preservation Plan should reduce the likelihood that we will experience an unsolicited ownership change by (i) discouraging any person or group from becoming a "5% shareholder" and (ii) discouraging any existing "5% shareholder" from acquiring more than a specified number of additional shares of our common stock.

In connection with the adoption of the Original Plan, we declared a dividend of one Right for each share of our common stock outstanding as of the close of business on September 27, 2002 (the "Plan Record Date"), with each Right representing the right to purchase one one-thousandth (subject to adjustment) of a share of Series A Preferred Stock. We further authorized and directed the issuance of one Right with respect to each share of common stock that becomes outstanding between the Plan Record Date and the earlier of the distribution date and the expiration date, as such terms are defined in the Tax Benefits Preservation Plan, and, in certain circumstances, Rights may also be issued with respect to shares of common stock that shall become outstanding after the distribution date and prior to the expiration date. Following the amendment and restatement of the Original Plan, the Rights became subject to the terms of the Tax Benefits Preservation Plan. Pursuant to the Tax Benefits Preservation Plan, the Rights are not exercisable and generally will not become exercisable until a person or group becomes a "5% shareholder," subject to certain exceptions and conditions. However, the Rights owned by the person becoming a "5% shareholder" would automatically be void. The significant dilution that would result is expected to deter any person from becoming a "5% shareholder."

To date, none of the Rights have been exercised or have become exercisable because no applicable change in ownership has occurred. The Rights will generally expire on the earlier to occur of the close of business on September 12, 2015 and certain other events described in the Tax Benefits Preservation Plan, including such date as our board of directors determines that the Tax Benefits Preservation Plan is no longer necessary. Pursuant to the terms of the Tax Benefits Preservation Plan, our board may amend the Tax Benefits Preservation Plan to exclude this offering and the transactions contemplated hereby or determine not to redeem the Rights in its sole discretion. We can make no assurances that our board will amend the Tax Benefits Preservation Plan or determine not to redeem the Rights in connection with this offering.

Authorized Shares of Capital Stock

Authorized but unissued shares of our common stock and preferred stock under our certificate of incorporation could (within the limits imposed by applicable law and NASDAQ Marketplace Rules) be issued in one or more transactions that could make a change of control more difficult and therefore more unlikely. The additional authorized shares could be used to discourage persons from attempting to gain control of Old Second by diluting the voting power of shares then outstanding or increasing the voting power of persons who would support the board of directors in a potential takeover situation, including by preventing or delaying a proposed business combination that is perceived as desirable by some of our shareholders but opposed by our board of directors.

Classification of the Board of Directors

Our certificate of incorporation provides for the division of our board of directors into three classes of directors of approximately equal size. Our directors are elected for three-year terms. Consequently only one-third of our directors are up for election in any given year. Our classified board, therefore, may make it more difficult for a shareholder to acquire immediate control of Old Second and immediately remove the incumbent management through a proxy contest. Because the terms of only approximately one-third of the incumbent directors expire each year, at least two annual elections are required before a majority of our directors can be replaced. In distinction, if we had a non-classified board, a majority of our directors could theoretically be replaced at one annual meeting.

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Limitations on Right to Call Special Meetings; No Action by Written Consent; Shareholder Proposal Notice Requirements

Under our bylaws, special meetings of our shareholders may be called by the chairman of our board of directors, our president and our secretary or by a majority of our directors. However, if our shareholders wish to convene a special meeting, shareholders representing at least 50% of the total voting power of the outstanding common stock entitled to elect directors must deliver a written request to our board requesting a special meeting. Further, our shareholders cannot take action by written consent and, therefore, may only take action at shareholder meetings.

Additionally, our bylaws require that shareholder proposals meet certain advanced notice and minimum informational requirements. These provisions could have the effect of delaying until the next annual shareholders' meeting actions favored by a majority of our shareholders. These provisions could also discourage a third party from making a tender offer for our common stock, because even if such party acquired a majority of our outstanding voting securities, it would only be allowed to act at a duly called shareholders' meeting and not by written consent.

Section 203 of the DGCL

Although we may elect to opt out, we are currently governed by Section 203 of the DGCL. Subject to certain exceptions, we are prohibited under Section 203 from engaging in any business combination with any interested shareholder for a period of three years following the time that such shareholder becomes an interested shareholder. As a result, companies interested in acquiring us may seek to negotiate with our board of directors in advance of any such acquisition. These provisions may make it more difficult to accomplish transactions which shareholders may otherwise deem to be in their best interests.

Certain Restrictions Under Federal Banking Laws

As a bank holding company, the acquisition of large interests in our common stock is subject to certain limitations described below. These limitations may have an anti-takeover effect and could prevent or delay mergers, business combination transactions and other large investments in our common stock that may otherwise be in our best interests and the best interests of our shareholders.

The federal Bank Holding Company Act generally prohibits any company that is not engaged both in banking activities and activities that are permissible for a bank holding company or a financial holding company from acquiring control of us. Control is generally defined as ownership of 25% or more of the voting stock or other exercise of a controlling influence. In addition, an existing bank holding company must receive the prior approval of the Federal Reserve before being able to acquire 5% or more of our voting stock. Finally, the Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under a rebuttable presumption established by the Federal Reserve, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Exchange Act, such as us, would, under the circumstances set forth in the presumption, constitute acquisition of control of the bank holding company.

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UNDERWRITING

Subject to the terms and conditions stated in the underwriting agreement with Keefe, Bruyette & Woods, Inc., as the representatives of the underwriters named below, each underwriter named below has severally agreed to purchase from us the respective number of shares of our common stock set forth opposite its name in the table below.

Name	Number of Shares
Keefe, Bruyette & Woods, Inc.	
Sandler O'Neill & Partners, L.P.	
FIG Partners, LLC	
Total	

The underwriting agreement provides that the underwriters' obligations are several, which means that each underwriter is required to purchase a specific number of shares of common stock but is not responsible for the commitment of any other underwriter. The underwriting agreement provides that the underwriters' several obligations to purchase our shares of common stock depend on the satisfaction of the conditions contained in the underwriting agreement, including:

- the representations and warranties made by us to the underwriters are true;
- there is no material adverse change in the financial markets; and
- we deliver customary closing documents and legal opinions to the underwriters.

Subject to these conditions, the underwriters are committed to purchase and pay for all shares of common stock offered by this prospectus if any such shares of common stock are purchased. The underwriters are not obligated, however, to purchase or pay for the shares of common stock covered by the underwriters' over-allotment option described below, unless and until they exercise this option.

The shares of common stock are being offered by the several underwriters, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of certain legal matters by counsel for the underwriters and certain other conditions. The underwriters reserve the right to withdraw, cancel or modify this offering and to reject orders in whole or in part.

Certain of our officers and directors may purchase, in the aggregate, up to $ of our common stock in this offering on the same terms and conditions as are being offered to other potential investors.

Director and Officer Participation

At our request, the underwriters have reserved for sale up to of the shares of our common stock to be sold in this offering, at the public offering price, to our directors and officers. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares that are not so purchased will be offered by the underwriters to the general public on the same basis as the other shares offered by this prospectus. None of these persons have any obligation or have made any commitment to purchase any of the shares in this offering, and there can be no assurance as to the number of shares in this offering they may purchase, if any.

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Offering Price

We have been advised that the underwriters propose to offer the shares of common stock to the public at the offering price set forth on the cover of this prospectus and to certain selected dealers at this price, less a concession not in excess of $ per share. The underwriters may allow, and any selected dealers may reallow, a concession not to exceed $ per share to certain brokers and dealers. After the shares of common stock are released for sale to the public, the offering price and other selling terms may from time to time be changed by the underwriters.

Over-Allotment Option

We have granted to the underwriters an over-allotment option, exercisable no later than 30 days from the date of this prospectus, to purchase up to an aggregate of additional shares of our common stock at the public offering price, less the underwriting discount and commission set forth on the cover page of this prospectus. To the extent that the underwriters exercise their over-allotment option, the underwriters will become obligated, so long as the conditions of the underwriting agreement are satisfied, to purchase the additional shares of our common stock in proportion to their respective initial purchase amounts. We will be obligated to sell the shares of our common stock to the underwriters to the extent the over-allotment option is exercised.

Underwriting Discount and Expenses

The following table shows the per share and total underwriting discount that we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the underwriters' over-allotment option.

	Per Share	No Exercise	Full Exercise
Public offering price	$	$	$
Underwriting discount	$	$	$

We estimate that our share of the total offering expenses, excluding underwriting discounts and commissions, will be approximately $. We have agreed to reimburse the underwriters for all expenses in connection with the Financial Industry Regulatory Authority, Inc. review of this offering (in an amount not to exceed $35,000).

Lock-Up Agreements

We, our executive officers and our directors have agreed that, subject to certain exceptions, for a period of 90 days from the date of this prospectus (subject to possible extension), neither we nor any of our executive officers or directors will, without the prior written consent of Keefe, Bruyette & Woods, Inc., sell, offer to sell or otherwise dispose of or hedge any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock. If either (i) during the period that begins on the date that is 15 calendar days plus three (3) business days before the last day of the 90-day restricted period and ends on the last day of the 90-day restricted period, we issue an earnings release or material news or a material event relating to us occurs, or (ii) prior to the expiration of the 90-day restricted period, we either announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 90-day restricted period, the 90-day restricted period will be automatically extended until the date that is 15 calendar days plus three (3) business days after the date on which the earnings release is issued or the material news or material event related to us occurs. Keefe, Bruyette & Woods, Inc., in its sole discretion, may release the securities subject to these lock-up agreements at any time without notice.

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Indemnity and Contribution

Old Second has agreed to indemnify the underwriters and persons who control the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, and to contribute to payments that the underwriters may be required to make for these liabilities.

Electronic Prospectus Delivery

A prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. In connection with this offering, certain of the underwriters or securities dealers may distribute this prospectus electronically. Keefe, Bruyette & Woods, Inc., as the representative for the several underwriters, may agree to allocate a number of shares of common stock to underwriters for sale to their online brokerage account holders. The representative will allocate shares of common stock to underwriters that may make Internet distributions on the same basis as other allocations. Other than the prospectus circulated in electronic format, the information on any of these websites and any other information contained on a website maintained by an underwriter or syndicate member is not part of this prospectus.

Passive Market Making

In connection with this offering, the underwriters and selected dealers may engage in passive market making transactions in our common stock on NASDAQ in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of the distribution of this offering. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters and selected dealers are not required to engage in a passive market making and may end passive market making activities at any time.

Stabilization

In connection with this offering, the underwriters may engage in stabilizing transactions, over-allotment transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act as set forth below:

- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in the over-allotment option. In a naked short position, the number of shares involved is greater than the number of shares in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option or purchasing shares in the open market;

- Covering transactions involve the purchase of common stock in the open market after the distribution has been completed in order to cover short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. If the underwriters sell more shares than could be covered by the over-allotment option, a naked short position, the position can only be closed out

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by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in this offering; and

Penalty bids permit the underwriters to reclaim a selling concession from a selected dealer when the common stock originally sold by the selected dealer is purchased in a stabilizing covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. Neither we nor the underwriters make any representation or prediction as to the effect that the transactions described above may have on the price of our common stock. These transactions may be effected on NASDAQ or otherwise and, if commenced, may be discontinued at any time.

Affiliations

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment advisory, investment research, principal investment, hedging, financing, loan referrals, valuation and brokerage activities. From time to time, the underwriters and/or their respective affiliates have directly and indirectly engaged, and may in the future engage, in various financial advisory, investment banking loan referrals and commercial banking services with us and our affiliates, for which they received or paid, or may receive or pay, customary compensation, fees and expense reimbursement. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and those investment and securities activities may involve securities and/or instruments of ours. The underwriters and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of those securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in those securities and instruments.

Engagement Letter

In October 2013, we entered into an engagement letter with Keefe, Bruyette & Woods, Inc., and we amended and restated the engagement letter on November 15, 2013. Under the terms of the engagement, we granted Keefe, Bruyette & Woods, Inc. a right of first refusal to serve as our lead underwriter and sole book-running manager for this offering, with 75% of the economics, for a period of time ending not later than December 31, 2015.

Other Considerations

It is expected that delivery of the shares of our common stock will be made against payment therefor on or about the date specified on the cover page of this prospectus. Under Rule 15c6-1 promulgated under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

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Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of shares to the public in that Relevant Member State prior to the publication of a prospectus in relation to the shares of common stock offered hereby which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of shares to the public in that Relevant Member State at any time:

To legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

To any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

To fewer than 100 natural or legal persons (other than qualified investors, as defined in the Prospectus Directive) subject to obtaining the prior consent of Keefe, Bruyette & Woods, Inc., for any such offer; or

In any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression "an offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each underwriter has represented and agreed that:

it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, as amended (the "FSMA")) received by it in connection with the issue or sale of the shares of common stock offered hereby in circumstances in which Section 21(1) of the FSMA does not apply to us; and

it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the shares of common stock offered hereby in, from or otherwise involving the United Kingdom.

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LEGAL MATTERS

Our legal counsel, Barack Ferrazzano Kirschbaum & Nagelberg LLP, Chicago, Illinois, will issue an opinion concerning the validity of the shares of common stock to be issued in this offering. Certain legal matters will be passed upon for the underwriters by Kirkland & Ellis LLP, Chicago, Illinois.

EXPERTS

The financial statements incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended December 31, 2012, and the effectiveness of our internal controls over financial reporting as of December 31, 2012, have been so incorporated in reliance on the report of Plante & Moran PLLC, independent registered public accounting firm, given on their authority as experts in auditing and accounting.

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Neither we nor any of the underwriters have authorized anyone to provide information different from that contained in this prospectus. When you make a decision whether to invest in our common stock, you should not rely upon any information other than the information that is in this prospectus. Neither the delivery of this prospectus nor the sale of common stock means that the information in this prospectus is current after the date of this prospectus. This prospectus is not an offer to sell or solicitation of an offer to buy these shares of common stock in any circumstances under which the offer or solicitation is unlawful.

Keefe, Bruyette & Woods
A Stifel Company

Sandler O'Neill + Partners, L.P.

FIG Partners, LLC

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth the costs and expenses, other than underwriting commissions, to be paid in connection with the sale of shares of our common stock being registered, all of which will be paid by us. We will pay all of these expenses. All expenses other than the SEC registration fee and FINRA filing fee are estimates, pursuant to the instruction to Item 511 of Regulation S-K, subject to future contingencies, of the expenses to be incurred by us in connection with the issuance and distribution of the securities being registered.

		Approximate Amount
SEC Registration Fee	$	9,016
Legal Fees and Expenses	$	*
Accounting Fees and Expenses	$	*
Printing and EDGAR Expenses	$	*
FINRA Filing Fee	$	11,000
Nasdaq Listing Fees	$	*
Other	$	*
Total		*

* To be completed by amendment to this Form S-1

Item 14. Indemnification of Directors and Officers.

Section 145 of the DGCL authorizes a corporation's board of directors to grant indemnification to directors and officers in terms sufficiently broad to permit such indemnification under certain circumstances for liabilities, including reimbursement for expenses incurred, arising under the Securities Act.

Our certificate of incorporation provides that we must indemnify, to the fullest extent permitted by Section 145 of the DGCL, our directors and officers. Under Delaware law, a Delaware corporation may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he or she is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful.

Our certificate of incorporation also includes a provision that eliminates the personal liability of our directors for monetary damages for breach of their fiduciary duty as a director to the fullest extent permitted by the DGCL, except for liability for any breach of the director's duty of loyalty to us or our shareholders; for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; under Section 174 of the DGCL, which relates to unlawful payment of dividends or unlawful stock purchase or redemption and expressly sets forth a negligence standard with respect to such liability; and for any transaction from which the director derived an improper personal benefit.

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Item 16. Exhibits.

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of Old Second Bancorp, Inc. (incorporated by reference from Exhibit to Exhibit 3.1 to Form 8-K filed by Old Second Bancorp, Inc. on August 5, 2010).
3.2	Bylaws of Old Second Bancorp, Inc. (incorporated by reference from Exhibit 3.2 of the Registrant's Registration Statement on Form S-4 filed with the SEC on December 19, 2007).
4.1	Form of Common Stock Certificate.
4.2	Amended and Restated Rights Agreement and Tax Benefits Preservation Plan, dated September 12, 2012 (incorporated herein by reference to Exhibit 99.1 of Form 8-K filed by Old Second on September 13, 2012).
4.3	Form of Stock Certificate for Series B Fixed Rate Cumulative Perpetual Preferred Stock (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed by Old Second on January 16, 2009).
4.4	Warrant to Purchase Shares of Common Stock, dated January 16, 2009 (incorporated herein by reference to Exhibit 4.2 of Old Second's Form 8-K filed on January 16, 2009).
5.1	Opinion of Barack Ferrazzano Kirschbaum & Nagelberg LLP (including consent).
10.1	Form of Compensation and Benefits Assurance Agreements for the executive officers (filed as Exhibit 10.1 to Old Second's Form 10-Q filed on November 8, 2006 and incorporated herein by reference).
10.2	Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust (filed with Old Second's Form S-8 filed on June 9, 2000 and incorporated herein by reference).
10.3	Form of Indenture relating to trust preferred securities (filed as Exhibit 4.1 to Old Second's registration statement on Old Second's Form S-3 filed on May 20, 2003 and incorporated herein by reference).
10.4	Indenture between Old Second Bancorp, Inc. as issuer, and Wells Fargo Bank, National Association, as Trustee, dated as of April 30, 2007 (filed as exhibit 99 (b) (2) to Old Second's Amendment No. 1 to Schedule TO filed on May 2, 2007 and incorporated herein by reference and incorporated herein by reference).
10.5	Old Second Bancorp, Inc. 2008 Long Term Incentive Plan (filed as Appendix A to Old Second's Form DEF14A filed on March 17, 2008 and incorporated herein by reference).
10.6	Compensation and Benefits Assurance Agreement for Mr. Eccher (filed as Exhibit 10.1 to Old Second's Form 8-K filed on February 10, 2005 and incorporated herein by reference).
10.7	Amended and Restated Voluntary Deferred Compensation Plan for Executives and Directors (filed as an Exhibit to Old Second's Form 8-K filed on March 28, 2005 and incorporated herein by reference).
10.8	Amendment to the Old Second Bancorp, Inc. Supplemental Executive and Retirement Plan (filed as Exhibit 10.1 to Old Second's Form 8-K filed on October 24, 2005 and incorporated herein by reference).
10.9	Form of Amended Stock Option Award Agreement (filed as Exhibit 10.1 to Old Second's Form 8-K filed on December 21, 2005 and incorporated herein by reference).

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Exhibit Number	Description
10.10	Loan and Subordinated Debenture Purchase Agreement, dated January 31, 2008, between LaSalle Bank National Association (now Bank of America) and Old Second Bancorp, Inc. (filed as Exhibit 10.11 to Old Second's Form 10-K filed on March 17, 2008 and incorporated herein by reference).
10.11	Agreed Upon Terms and Procedures, dated January 31, 2008, between LaSalle Bank National Association (now Bank of America) and Old Second Bancorp, Inc. (filed as Exhibit 10.12 to Old Second's Form 10-K filed on March 17, 2008 and incorporated herein by reference).
10.12	Letter Agreement, dated January 16, 2009, by and between Old Second Bancorp, Inc., and the United States Department of the Treasury, which includes the Securities Purchase Agreement Standard Terms with respect to the issuance and sale of the Series B Preferred Stock and the Warrant (filed as Exhibit 10.1 to Old Second's Form 8-K filed on January 16, 2009 and incorporated herein by reference).
10.13	2008 Equity Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10.1 to Old Second's Form 8-K filed on February 23, 2009 and incorporated herein by reference).
10.14	2008 Equity Incentive Plan Restricted Stock Unit Award Agreement (filed as Exhibit 10.2 to Old Second's Form 8-K filed on February 23, 2009 and incorporated herein by reference).
10.15	2008 Equity Incentive Plan Incentive Stock Option (filed as Exhibit 10.3 to Old Second's Form 8-K filed on February 23, 2009 and incorporated herein by reference).
10.16	2008 Equity Incentive Plan Incentive Non-Qualified Stock Option (filed as Exhibit 10.4 to Old Second's Form 8-K filed on February 23, 2009 and incorporated herein by reference).
10.17	Written Agreement by and between Old Second Bancorp, Inc. and the Federal Reserve Bank of Chicago, dated July 22, 2011 (filed as Exhibit 10.1 to Old Second's Form 10-Q filed on August 9, 2011 and incorporated herein by reference).
21.1	A list of all subsidiaries of Old Second (filed as Exhibit 21.1 of Old Second's Form 10-K filed on March 20, 2013 and incorporated herein by reference).
23.1	Consent of Plante & Moran PLLC.
23.2	Consent of Barack Ferrazzano Kirschbaum & Nagelberg LLP (included in Exhibit 5.1).
24.1	Power of Attorney (included in the signature page to the registration statement).

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* To be filed by amendment

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Item 17. Undertakings.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers and controlling persons of the registrant pursuant to the indemnification provisions described herein, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of Aurora, State of Illinois, on January 17, 2014.

OLD SECOND BANCORP, INC.

By: /s/ WILLIAM B. SKOGLUND

William B. Skoglund
Chairman of the Board and Chief Executive Officer

By: /s/ J. DOUGLAS CHEATHAM

J. Douglas Cheatham
Executive Vice President and Chief Financial Officer

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POWER OF ATTORNEY

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in their respective capacities and on the respective dates indicated opposite their names. Each person whose signature appears below hereby authorizes each of William B. Skoglund and J. Douglas Cheatham, each with full power of substitution, to execute in the name and on behalf of such person any post-effective amendment to this Registration Statement and to file the same, with exhibits thereto, and other documents in connection therewith, making such changes in this Registration Statement as the registrant deems appropriate, and appoints each of William B. Skoglund and J. Douglas Cheatham, each with full power of substitution, attorney-in-fact to sign any amendment and any post-effective amendment to this Registration Statement and any additional Registration Statements pursuant to Rule 462(b) of the Securities Act and to file the same, with exhibits thereto, and other documents in connection therewith. Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	**Title**	**Date**
/s/ WILLIAM B. SKOGLUND William B. Skoglund	Chairman of the Board, President and Chief Executive Officer (principal executive officer)	January 17, 2014
/s/ J. DOUGLAS CHEATHAM J. Douglas Cheatham	Executive Vice President and Chief Financial Officer, Director (principal financial officer and principal accounting officer)	January 17, 2014
/s/ EDWARD BONIFAS Edward Bonifas	Director	January 17, 2014
/s/ JAMES L. ECCHER James L. Eccher	Executive Vice President and Chief Operating Officer, Director	January 17, 2014
/s/ BARRY FINN Barry Finn	Director	January 17, 2014
/s/ WILLIAM J. KANE William J. Kane	Director	January 17, 2014
/s/ JOHN LADOWICZ John Ladowicz	Director	January 17, 2014

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Signature	Title	Date
/s/ WILLIAM J. MEYER William J. Meyer	Director	January 17, 2014
/s/ GERALD PALMER Gerald Palmer	Director	January 17, 2014
/s/ JAMES CARL SCHMITZ James Carl Schmitz	Director	January 17, 2014
/s/ DUANE SUITS Duane Suits	Director	January 17, 2014

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EXHIBIT INDEX

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Restated Certificate of Incorporation of Old Second Bancorp, Inc. (incorporated by reference from Exhibit to Exhibit 3.1 to Form 8-K filed by Old Second Bancorp, Inc. on August 5, 2010).
3.2	Bylaws of Old Second Bancorp, Inc. (incorporated by reference from Exhibit 3.2 of the Registrant's Registration Statement on Form S-4 filed with the SEC on December 19, 2007).
4.1	Form of Common Stock Certificate.
4.2	Amended and Restated Rights Agreement and Tax Benefits Preservation Plan, dated September 12, 2012 (incorporated herein by reference to Exhibit 99.1 of Form 8-K filed by Old Second on September 13, 2012).
4.3	Form of Stock Certificate for Series B Fixed Rate Cumulative Perpetual Preferred Stock (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed by Old Second on January 16, 2009).
4.4	Warrant to Purchase Shares of Common Stock, dated January 16, 2009 (incorporated herein by reference to Exhibit 4.2 of Old Second's Form 8-K filed on January 16, 2009).
5.1	Opinion of Barack Ferrazzano Kirschbaum & Nagelberg LLP (including consent).
10.1	Form of Compensation and Benefits Assurance Agreements for the executive officers (filed as Exhibit 10.1 to Old Second's Form 10-Q filed on November 8, 2006 and incorporated herein by reference).
10.2	Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust (filed with Old Second's Form S-8 filed on June 9, 2000 and incorporated herein by reference).
10.3	Form of Indenture relating to trust preferred securities (filed as Exhibit 4.1 to Old Second's registration statement on Old Second's Form S-3 filed on May 20, 2003 and incorporated herein by reference).
10.4	Indenture between Old Second Bancorp, Inc. as issuer, and Wells Fargo Bank, National Association, as Trustee, dated as of April 30, 2007 (filed as exhibit 99 (b) (2) to Old Second's Amendment No. 1 to Schedule TO filed on May 2, 2007 and incorporated herein by reference and incorporated herein by reference).
10.5	Old Second Bancorp, Inc. 2008 Long Term Incentive Plan (filed as Appendix A to Old Second's Form DEF14A filed on March 17, 2008 and incorporated herein by reference).
10.6	Compensation and Benefits Assurance Agreement for Mr. Eccher (filed as Exhibit 10.1 to Old Second's Form 8-K filed on February 10, 2005 and incorporated herein by reference).
10.7	Amended and Restated Voluntary Deferred Compensation Plan for Executives and Directors (filed as an Exhibit to Old Second's Form 8-K filed on March 28, 2005 and incorporated herein by reference).
10.8	Amendment to the Old Second Bancorp, Inc. Supplemental Executive and Retirement Plan (filed as Exhibit 10.1 to Old Second's Form 8-K filed on October 24, 2005 and incorporated herein by reference).
10.9	Form of Amended Stock Option Award Agreement (filed as Exhibit 10.1 to Old Second's Form 8-K filed on December 21, 2005 and incorporated herein by reference).

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Exhibit Number	Description
10.10	Loan and Subordinated Debenture Purchase Agreement, dated January 31, 2008, between LaSalle Bank National Association (now Bank of America) and Old Second Bancorp, Inc. (filed as Exhibit 10.11 to Old Second's Form 10-K filed on March 17, 2008 and incorporated herein by reference).
10.11	Agreed Upon Terms and Procedures, dated January 31, 2008, between LaSalle Bank National Association (now Bank of America) and Old Second Bancorp, Inc. (filed as Exhibit 10.12 to Old Second's Form 10-K filed on March 17, 2008 and incorporated herein by reference).
10.12	Letter Agreement, dated January 16, 2009, by and between Old Second Bancorp, Inc., and the United States Department of the Treasury, which includes the Securities Purchase Agreement Standard Terms with respect to the issuance and sale of the Series B Preferred Stock and the Warrant (filed as Exhibit 10.1 to Old Second's Form 8-K filed on January 16, 2009 and incorporated herein by reference).
10.13	2008 Equity Incentive Plan Restricted Stock Award Agreement (filed as Exhibit 10.1 to Old Second's Form 8-K filed on February 23, 2009 and incorporated herein by reference).
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* To be filed by amendment.

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#000000;padding-left:2px;padding-top:2px;padding-bottom:2px;padding-right:2px;">

2011

(dollars in thousands)
Net loss
(2,333
)

(11,789
)

(15,790
)
Amortization of intangible assets
7,957

9,289

9,301

Impairment of intangible assets
—

3,349

—

Stock-based compensation
27,035

24,896

21,260

Costs related to acquisitions, restructuring and other non-recurring items
7,015

1,437

3,405

Settlement of litigation
(1,360
)

—

5,175

Gain on ARS disposition
(214
)

—

—

Adjustment to exclude non-Health Copy-Testing and Configuration Manager products
(170
)

(1,572
)

(3,070
)
Deferred tax provision
2,381

896

(4,356
)
Current cash tax provision
2,045

1,478

1,382

Depreciation
16,777

14,159

	13,352		
Interest expense (income), net	938	658	(525)
Adjusted EBITDA	60,071	42,801	30,134
Adjusted EBITDA margin(1)	21%	17%	14%

(1) Management estimates pro forma revenues of $1,330, $8,328 and $14,348 in 2013, 2012 and 2011, respectively, and total pro forma expenses of $1,160, $6,756 and $11,278 in 2013, 2012 and 2011, respectively, related to the non-Health Copy-Testing and Configuration Manager products in 2013, 2012 and 2011, respectively, which we disposed of in March 2013. Calculating based on revenues excluding those amounts, adjusted EBITDA margin would have been 21%, 18% and 15% during the years ended December 31, 2013, 2012 and 2011, respectively.

Our Revenues

We derive our revenues primarily from the fees that we charge for subscription-based products, customized projects, and software licenses. We define subscription-based revenues as revenues that we generate from products that we deliver to a customer on a recurring basis, as well as arrangements where a customer is committing up-front to purchase a series of deliverables over time, which includes revenue from software licenses as further discussed below. We define project revenues as revenues that we generate from customized projects that are performed for a specific customer on a non-recurring basis. A significant characteristic of our SaaS-based business model is our large percentage of subscription-based contracts. Subscription-based revenues accounted for 87%, 85% and 85% of total revenues in the years ended December 31, 2013, 2012, and 2011, respectively. Many of our customers who initially purchased a customized project have subsequently purchased one of our subscription-based products. Similarly, many of our subscription-based customers have subsequently purchased additional customized projects.

Historically, we have generated most of our revenues from the sale and delivery of our products to companies and organizations located within the United States. We continue to expand our international revenues by selling our products and deploying our direct sales force model in additional international markets in the future. For the year

ended December 31, 2013, our international revenues were $84.1 million, an increase of $12.3 million, or 17% over international revenues of $71.8 million for the year ended December 31, 2012. International revenues comprised approximately 29%, 28% and 26% of our total revenues for the fiscal years ended December 31, 2013, 2012 and 2011, respectively.

We anticipate that revenues from our U.S. customers will continue to constitute a substantial portion of our revenues in future periods, but we expect that revenues from customers outside of the U.S. will increase as a percentage of total revenues as we build greater international recognition of our brand and expand our sales operations globally.

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Subscription Revenues

We generate a significant portion of our subscription-based revenues from our Media Metrix ® product suite. Products within the Media Metrix ® suite include: Video Metrix ™, Mobile Metrix ™, Plan Metrix ™, Ad Metrix ™ and Media Metrix ® Multi-Platform (MMX MP). These product offerings provide subscribers with intelligence on digital media usage, audience characteristics, audience demographics and online and offline purchasing behavior. Customers who subscribe to our Media Metrix products are provided with login IDs to our web site, have access to our database and can generate reports at anytime.

In recent years, we began generating additional subscription revenues from our flagship advertising service, Validated Campaign Essentials (vCE). In January 2014, we entered into a partnership agreement with Google to integrate vCE directly into the DoubleClick ad management platform, allowing DoubleClick customers to add vCE to their ad campaigns with a single click. While vCE provides key analytics about advertising campaigns to ad buyers, we also offer Validated Media Essentials (vME) to advertising sellers, allowing them to evaluate their advertising inventory and optimize their monetization strategy with metrics comparable to those used by ad buyers.

We also generate subscription-based revenues from certain reports and analyses provided through our customer research product, if that work is procured by customers on a recurring basis. Through our customer research products, we deliver digital media analytics relating to specific industries, such as automotive, consumer packaged goods, entertainment, financial services, media, pharmaceutical, retail, technology, telecommunications and travel. This marketing intelligence leverages our global consumer panel and extensive database to deliver information unique to a particular customer's needs on a recurring schedule, as well as on a continual-access basis. Our Marketing Solutions customer agreements typically include a fixed fee with an initial term of at least one year. We also provide these products on a non-subscription basis as described under "Project Revenues" below.

In addition, we generate subscription-based revenues from survey products that we sell to our customers. In conducting our surveys, we generally use our global Internet user panel. After questionnaires are distributed to the panel members and completed, we compile their responses and then deliver our findings to the customer, who also has ongoing access to the survey response data as they are compiled and updated over time. This data include responses and information collected from the actual survey questionnaires and can also include behavioral information that we passively collect from our panelists. If a customer has a history of purchasing survey products in each of the last four quarters, then we believe this indicates the surveys are being conducted on a recurring basis, and we classify the revenues generated from such survey products as subscription-based revenues. Our contracts for survey services typically include a fixed fee with terms that range from two months to one year.

Our acquisition of Nedstat resulted in additional revenue sources, including software subscriptions, server calls, and professional services. Our arrangements generally contain multiple elements, consisting of the various service offerings. Our acquisition of AdXpose resulted in additional revenue sources, including fees for the use of the AdXpose platform. Customers using the AdXpose platform generally pay a fixed fee for each impression that is generated using the AdXpose technology. Revenue is recognized on a usage basis when the impression is delivered and reported via the AdXpose service portal.

Project Revenues

We generate project revenues by providing customized reports to our customers on a nonrecurring basis through comScore Marketing Solutions. For example, a customer in the media industry might request a custom report that profiles the behavior of the customer's active online users and contrasts their market share and loyalty with similar metrics for a competitor's online user base. If this customer continues to request the report beyond an initial project term of at least nine months and enters into an agreement to purchase the report on a recurring basis, we begin to classify these future revenues as subscription-based.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the amounts reported in our consolidated financial statements and the accompanying notes. We base our estimates on

historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates.

While our significant accounting policies are described in more detail in the notes to our consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K, we believe the following accounting policies to be the most critical to the judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition

We recognize revenues when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the services have been rendered, (iii) the fee is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured.

We generate revenues by providing access to our online database or delivering information obtained from our database, usually in the form of periodic reports. Revenues are typically recognized on a straight-line basis over the period in which access to data or reports is provided, which generally ranges from three to twenty four months. Sales taxes remitted to government authorities are recorded on a net basis.

We also generate revenues through survey services under contracts ranging in term from two months to one year. Our survey services consist of survey and questionnaire design with subsequent data collection, analysis and reporting. At the outset of an arrangement, we allocate total arrangement consideration between the development of the survey questionnaire and subsequent data collection, analysis and reporting services based on relative selling price. We recognize revenue allocated to the survey questionnaire when it is delivered and we recognize revenue allocated to the data collection, analysis and reporting services on a straight-line basis over the estimated data collection period once the survey or questionnaire design has been delivered. Any change in the estimated data collection period results in an adjustment to revenues recognized in future periods.

Certain of our arrangements contain multiple elements, consisting of the various services we offer. Multiple element arrangements typically consist of either subscriptions to multiple online product solutions or a subscription to our online database combined with customized services. We recognize revenue under these arrangements in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2009-13, Multiple Deliverable Revenue Arrangements, which requires us to allocate arrangement consideration at the inception of an arrangement to all deliverables, if they represent a separate unit of accounting, based on their relative selling prices. The guidance establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables: (i) vendor-specific objective evidence of fair value (“VSOE”), (ii) third-party evidence of selling price (“TPE”) if VSOE is not available, or (iii) an estimated selling price (“ESP”) if neither VSOE nor TPE are available. VSOE generally exists only when we sell the deliverable separately and is the price actually charged by us for that deliverable on a stand-alone basis. ESP reflects our estimate of what the selling price of a deliverable would be if it was sold regularly on a stand-alone basis.

We have concluded that we do not have VSOE, for these types of arrangements, and TPE is generally not available because our service offerings are highly differentiated and we are unable to obtain reliable information on the products and pricing practices of our competitors. As such, ESP is used to allocate the total arrangement consideration at the arrangement inception based on each element’s relative selling price.

Our process for determining ESP involves management’s judgments based on multiple factors that may vary depending upon the unique facts and circumstances related to each product suite and deliverable. We determine ESP by considering several external and internal factors including, but not limited to, current pricing practices, pricing concentrations (such as industry, channel, customer class or geography), internal costs and market penetration of a product or service. The total arrangement consideration is allocated to each of the elements based on the relative selling price. If the ESP is determined as a range of selling prices, the mid-point of the range is used in the relative-selling-price method. Once the total arrangement consideration has been allocated to each deliverable based on the relative allocation of the arrangement fee, we commence revenue recognition for each deliverable on a stand-alone basis as the data or service is delivered. In the future, as our pricing strategies and market conditions change, modifications may occur in the determination of ESP to reflect these changes. As a result, the future revenue recognized for these arrangements could differ from the results in the current period.

Generally, our contracts are non-refundable and non-cancelable. In the event a portion of a contract is refundable, revenue recognition is delayed until the refund provisions lapse. A limited number of customers have the right to cancel their contracts by providing us with written notice of cancellation. In the event that a customer cancels its contract, it is not entitled to a refund for prior services, and it will be charged for costs incurred plus services performed up to the cancellation date.

In connection with our acquisition of Nexius, Inc., we acquired additional revenue sources, including software licenses, professional services (including software customization implementation, training and consulting services), and maintenance and technical support contracts. Our arrangements generally contain multiple elements, consisting of the various service offerings. We recognize software license arrangements that include significant modification and customization of the software in accordance with ASC 985-605, Software Recognition and ASC 605-35, Revenue Recognition-Construction-Type and Certain Production-Type Contracts, using either the percentage-of-completion or the completed-contract method. Under the percentage-of-completion method, we use the input method to measure progress, which is based on the ratio of costs incurred to date to total estimated costs at completion. The percentage-of-completion method is used when reliable estimates of progress and completion under the contract can be made. Under the completed-contract method, billings and costs (to the extent they are

recoverable) are accumulated on the balance sheet, but no profit or income is recorded before user acceptance of the software license. The completed-contract method is used when reliable estimates cannot be made or other terms under the contract require it. To the extent estimated costs are expected to exceed revenue, we accrue for costs immediately. completed contract method. During the quarter ended June 30, 2011, we established VSOE of fair value for post contract support services for a group of certain Nexius customers. For these specific arrangements, we allocate the total consideration to the various elements in the arrangement based on VSOE of fair value and recognize revenue when the fundamental revenue recognition criteria above are met. For the remainder of the Nexius customers, we currently do not have VSOE for the multiple deliverables and account for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue over the service period of the last delivered element.

We account for nonmonetary transactions under ASC 845, Nonmonetary Transactions. Nonmonetary transactions with commercial substance are recorded at the estimated fair value of assets surrendered including cash, if cash is less than 25% of the fair value of the overall exchange, unless the fair value of the assets received is more clearly evident, in which case the fair value of the asset received is used to estimate fair value for the exchange.

In the fourth quarter of 2013, we entered into an agreement to exchange certain data assets with a corporation. A member of our Board of Directors also serves as a member of the Board of Directors of that corporation and therefore, we have considered the corporation to be a related party. The transaction was considered to have commercial substance under the guidance in ASC 845 and we estimated the fair value of the services delivered based on similar monetary transactions with third parties. No cash was exchanged in this transaction. We also considered the guidance in ASC 850, Related Party Disclosures.

During the year ended December 31, 2013, we recognized $3.2 million in revenue related to nonmonetary transactions of which $1.8 million is attributable to this related party transaction. Due to timing differences in the delivery and receipt of the respective nonmonetary assets exchanged, the expense recognized in each period is different from the amount of revenue recognized. As a result, during the year ended December 31, 2013, we recognized $1.8 million in expense related to nonmonetary transactions, though no expense was recognized for this related party transaction since data assets have not yet been received.

Business Combinations

We recognize all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. All subsequent changes to an income tax valuation allowance or uncertain tax position that relate to the acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in income tax valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required. Acquired in-process research and development is capitalized as an intangible asset and amortized over its estimated useful life.

Goodwill and Intangible Assets

We record goodwill and intangible assets when we acquire other businesses. The allocation of the purchase price to intangible assets and goodwill involves the extensive use of management's estimates and assumptions, and the result of the allocation process can have a significant impact on our future operating results. We estimate the fair value of identifiable intangible assets acquired using several different valuation approaches, including relief from royalty method, and income and market approaches. The relief from royalty method assumes that if we did not own the intangible asset or intellectual property, we would be willing to pay a royalty for its use. We generally use the relief from royalty method for estimating the value of acquired technology/methodology assets. The income approach converts the anticipated economic benefits that we assume will be realized from a given asset into value. Under this approach, value is measured as the present worth of anticipated future net cash flows generated by an asset. We generally use the income approach to value customer relationship assets and non-compete agreements. The market approach compares the acquired asset to similar assets that have been sold. We generally use the income approach to

value trademarks and brand assets.

Intangible assets with finite lives are amortized over their useful lives while goodwill and indefinite lived assets are not amortized, but rather are periodically tested for impairment. An impairment review generally requires developing assumptions and projections regarding our operating performance. We have determined that all of our goodwill is associated with one reporting unit as we do not operate separate lines of business with respect to our services. Accordingly, on an annual basis we perform the impairment assessment for goodwill at the enterprise level by comparing the fair value of our reporting unit to its

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carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, impairment is measured by comparing the implied fair value of the goodwill to its carrying value and any impairment determined is recorded in the current period. If our estimates or the related assumptions change in the future, we may be required to record impairment charges to reduce the carrying value of these assets, which could be material. There were no impairment charges to Goodwill recognized during the years ended December 31, 2013, 2012 or 2011.
During the three months ended June 30, 2012, we noted a significant decline in revenues from ARS, which we acquired in February 2010. As a result, we performed an impairment test of the long-lived assets of ARS. The long-lived assets of ARS consist of customer relationships and acquired methodologies and technology. The first step in testing the long-lived assets of ARS for impairment was to compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of ARS to the carrying value of ARS's long-lived assets. Based on this analysis, we determined as of June 30, 2012 that the sum of the expected undiscounted cash flows to be generated from ARS was less than the carrying value of the ARS intangible assets. As such, we concluded that the ARS intangible assets were impaired as of June 30, 2012. To measure the amount of the impairment, we then estimated the fair value of the intangible assets as of June 30, 2012. In determining the fair value of the intangible assets, we prepared a discounted cash flow ("DCF") analysis for each intangible asset. In preparing the DCF analysis, we used a combination of income approaches including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis were based on our most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows of ARS, as well as a royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. Based on the DCF analysis, we estimated the fair value of the intangible assets of ARS to be $2.5 million as of June 30, 2012, which resulted in an impairment charge of $3.3 million during the year ended December 31, 2012. The impairment charge had a negative impact on net loss of $3.3 million and an impact on earnings per share of $0.10 per share during the year ended December 31, 2012. In addition, these intangible assets will be amortized over a remaining estimated useful life of eighteen months, beginning July 1, 2012. There were no impairment charges to Intangible Assets recognized during the years ended 2012 or 2011.
Long-lived assets
Our long-lived assets primarily consist of property and equipment and intangible assets. We evaluate the recoverability of our long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, we compare the estimated undiscounted future cash flows to be generated by the asset to its carrying amount.
Recoverability measurement and estimation of undiscounted cash flows are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the undiscounted future cash flows are less than the carrying amount of the asset group, we record an impairment loss equal to the excess of the asset group's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis. Although we believe that the carrying values of our long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances. Other than the impairment charge for ARS discussed above, there were no impairment charges recognized during the years ended December 31, 2013, 2012 or 2011.
Allowance for Doubtful Accounts
We manage credit risk on accounts receivable by performing credit evaluations of our customers for existing customers coming up for renewal as well as all prospective new customers, by reviewing our accounts and contracts and by providing appropriate allowances for uncollectible amounts. Allowances are based on management's judgment, which considers historical experience and specific knowledge of accounts that may not be collectible. We make provisions based on our historical bad debt experience, a specific review of all significant outstanding invoices and an

assessment of general economic conditions. If the financial condition of a customer deteriorates, resulting in an impairment of its ability to make payments, additional allowances may be required.

Income Taxes

We account for income taxes using the asset and liability method. We estimate our tax liability through calculations we perform for the determination of our current tax liability, together with assessing temporary differences resulting from the different treatment of items for income tax and financial reporting purposes. These differences result in deferred tax assets and liabilities, which are recorded on our balance sheets. We then assess the likelihood that deferred tax assets will be recovered in

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future periods. In assessing the need for a valuation allowance against the deferred tax assets, we consider factors such as future reversals of existing taxable temporary differences, taxable income in prior carryback years, if carryback is permitted under the tax law, tax planning strategies and future taxable income exclusive of reversing temporary differences and carryforwards. In evaluating projections of future taxable income, we consider our history of profitability, the competitive environment, the overall outlook for the online marketing industry and general economic conditions. In addition, we consider the time frame over which it would take to utilize the deferred tax assets prior to their expiration. To the extent we cannot conclude that it is more-likely-than-not that the benefit of such assets will be realized, we establish a valuation allowance to adjust the carrying value of such assets.
As of December 31, 2013 and 2012, we recorded valuation allowances against certain deferred tax assets of $1.2 million and $4.0 million, respectively. At December 31, 2013, the valuation allowance was related to the deferred tax assets (primarily net operating loss carryforwards) of the foreign subsidiaries that are either loss companies or are in their start-up phases, including entities in Spain and the Czech Republic, the deferred tax asset related to the U.S. capital loss carryforwards, and the deferred tax asset related to certain state net operating loss carryforwards. At December 31, 2012, the valuation allowance was related to the deferred tax assets (primarily net operating loss carryforwards) of the foreign subsidiaries that are either loss companies or are in their start-up phases, including entities in Mexico, Singapore, Spain, Australia, Czech Republic, Netherlands and China, the deferred tax asset related to the U.S. capital loss carryforwards and the deferred tax asset related to certain state net operating loss carryforwards.
As of December 31, 2013, we concluded that it was more-likely-than-not that a substantial portion of our deferred tax assets related to certain state and foreign net operating losses would be realized and that an increase to the valuation allowance of $0.1 million was necessary. We also concluded that it was not more-likely-than-not that a substantial portion of our deferred tax assets in certain other foreign jurisdictions, primarily the Netherlands, would be realized and determined that it was appropriate to release the valuation allowance of $2.9 million. In making that determination, we considered the income generated in these foreign jurisdictions during 2013, the guaranteed profit margins in place for these entities as a result of our transfer pricing model, the tax impact of the restructuring that is currently being implemented, the current overall economic environment, and the projected income of these entities in future years. In addition, during 2013, we wrote-off certain deferred tax assets related to net operating losses that will never be realized. As these deferred tax assets had a full valuation allowance recorded against them, the associated valuation allowance of $0.1 million was released.
As of December 31, 2012, we concluded that it was not more-likely-than-not that a substantial portion of our deferred tax assets related to certain state net operating losses would be realized and determined that it was appropriate to establish a valuation allowance of $0.3 million against our state deferred tax assets. We also concluded that it was not more-likely-than-not that a substantial portion of our deferred tax assets in certain other foreign jurisdictions, primarily the Netherlands, would be realized and that an increase to the valuation allowance of $1.2 million was necessary. In making that determination, we considered the losses incurred in these foreign jurisdictions during 2012, the current overall economic environment, and the uncertainty regarding the profitability of certain foreign operations currently in start-up phase. In addition, during 2012, we wrote-off certain deferred tax assets related to net operating losses that will never be realized. As these deferred tax assets had a full valuation allowance recorded against them, the associated valuation allowance of $0.2 million was released. As of December 31, 2013, we estimate our federal and state net operating loss carryforwards for tax purposes are approximately $37.2 million and $38.3 million, respectively. These net operating loss carryforwards will begin to expire in 2022 for federal income tax purposes and in 2014 for state income tax purposes. In addition, at December 31, 2013, we estimate our aggregate net operating loss carryforwards for tax purposes related to our foreign subsidiaries is $20.8 million, which begins to expire in 2017.The exercise of certain stock options and the vesting of certain restricted stock awards during the years ended December 31, 2013 and 2012 generated income tax deductions equal to the excess of the fair market value over the exercise price or grant date fair value, as applicable. We will not recognize a deferred tax asset with respect to the excess of tax over book stock compensation deductions until the tax deductions actually reduce our current taxes payable. As such, we have not recorded a deferred tax asset in the accompanying financial statements related to the

additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options and the vesting of the restricted stock awards. If and when we utilize these net operating losses to reduce income taxes payable, the tax benefit will be recorded as an increase in additional paid-in capital. As of December 31, 2013 and December 31, 2012, the cumulative amount of net operating losses relating to such option exercises and vesting events that have been included in the gross net operating loss carryforwards above is $32.5 million and $28.9 million, respectively. During the years ended December 31, 2013 and 2012, we recognized windfall tax benefits of approximately $0.1 million related to certain state and foreign tax jurisdictions, which were recorded as an increase to additional paid-in capital.

During the years ended December 31, 2013 and 2012, certain stock options were exercised and certain shares related to restricted stock awards vested at times when our stock price was substantially lower than the fair value of those shares at the time of grant. As a result, the income tax deduction related to such shares is less than the expense previously recognized for book purposes. Such shortfalls reduce additional paid-in capital to the extent relevant windfall tax benefits have been

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previously recognized. As described above, we recognized a portion of the windfall tax benefits in 2013 and recorded an increase to additional paid-in capital. Therefore, $0.1 million of shortfalls has not been included in income tax expense but has reduced additional paid-in capital for the year ended December 31, 2013. The remaining impact of the shortfalls totaling $0.9 million has been included in income tax expense. As of December 31, 2012, we recognized a portion of the windfall tax benefits and recorded an increase to additional paid-in capital. Therefore, the impact of the shortfalls totaling $0.2 million was not included in income tax expense but reduced additional paid-in capital for the year ended December 31, 2012. Looking forward we cannot predict the stock compensation shortfall impact because of dependency upon future market price performance of our stock.

For uncertain tax positions, we use a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefits determined on a cumulative probability basis, which are more-likely-than-not to be realized upon ultimate settlement in the financial statements. As of December 31, 2013, 2012 and 2011, we had unrecognized tax benefits of $1.4 million on a tax-effected basis. It is our policy to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2013 and 2012, the amount of accrued interest and penalties on unrecognized tax benefits was $0.7 million. We or one of our subsidiaries files income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. For income tax returns filed by us, we are no longer subject to U.S. Federal examinations by tax authorities for years before 2010 or state and local tax examinations by tax authorities for years before 2009, although tax attribute carryforwards generated prior to these years may still be adjusted upon examination by tax authorities.

Stock-Based Compensation

We estimate the fair value of share-based awards on the date of grant. The fair value of stock options is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of our common stock on the date of grant. The determination of the fair value of stock option awards and restricted stock awards is based on a variety of factors including, but not limited to, the our common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally we estimate forfeitures for share-based awards at the dates of grant based on historical experience, adjusted for future expectation. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

We issue restricted stock awards whose restrictions lapse upon either the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For those restricted stock awards with only service conditions, we recognize compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, we start recognizing compensation cost over the remaining service period when it is probable the performance condition will be met. Stock awards that contain performance or market vesting conditions, are excluded from diluted earnings per share computations until the contingency is met as of the end of that reporting period. If factors change and we employ different assumptions in future periods, the compensation expense we record may differ significantly from what we have previously recorded.

At December 31, 2013, total estimated unrecognized compensation expense related to unvested stock-based awards granted prior to that date was $27.1 million, which is expected to be recognized over a weighted-average period of 1.18 years.

The actual amount of stock-based compensation expense we record in any fiscal period will depend on a number of factors, including the number of shares subject to restricted stock and/or stock options issued, the fair value of our common stock at the time of issuance and the expected volatility of our stock price over time. In addition, changes to our incentive compensation plan that heavily favor stock-based compensation are expected to cause stock-based compensation expense to increase in absolute dollars. If factors change and we employ different assumptions in future period, the compensation expense we record may differ significantly from what we have previously recorded.

Seasonality

Historically, a higher percentage of our customers have renewed their subscription products with us during the fourth quarter.

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Results of Operations

The following table sets forth selected consolidated statements of operations data as a percentage of total revenues for each of the periods indicated.

	Year Ended December 31, 2013	2012	2011
Revenues	100.0 %	100.0 %	100.0 %
Cost of Revenues	31.3	33.9	32.3
Selling and marketing expenses	34.8	36.0	33.7
Research and development	14.3	13.3	14.7
General and administrative	16.2	14.9	20.9
Amortization of intangible assets	2.8	3.7	4.0
Impairment of intangible assets	—	1.3	—
Settlement of litigation	(0.5)	—	2.2
Total expenses from operations	98.9	103.1	107.8
Income (loss) from operations	1.1	(3.1)	(7.8)
Interest and other (expense) income, net	(0.4)	(0.3)	(0.2)
Loss from foreign currency transactions	—	(0.3)	(0.2)
Gain on sale of marketable securities	—	—	0.1
Income (loss) before income tax (benefit) provision	0.7	(3.7)	(8.1)
Income tax (benefit) provision	(1.5)	(0.9)	1.3
Net loss attributable to common stockholders	(0.8)%	(4.6)%	(6.8)%

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenues

	Year Ended December 31, 2013	2012	Change $	%
	(In thousands)			
Revenues	$286,860	$255,193	$31,667	12.4 %

Total revenues increased by approximately $31.7 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. We attribute the revenue growth to increased sales to our existing customer base and continued growth of our customer base during the period. Revenue from existing customers increased $29.3 million from $228.0 million for the year ended December 31, 2012 to $257.3 million for the year ended December 31, 2013, while revenue from new customers increased $2.3 million from $27.2 million for the year ended December 31, 2012 to $29.5 million for the year ended December 31, 2013. Revenue from new customers increased due to a significant focus on the selling of new products, especially vCE, to our current customer base.

We experienced continued revenue growth in subscription revenues, which increased by approximately $33.8 million during the year ended December 31, 2013, from $216.0 million in the prior year period. We experienced a decrease in revenue from our project-based revenues which decreased by approximately $2.2 million during the year ended December 31, 2013, from $39.2 million in the prior year period.

Revenues from U.S. customers were $202.7 million for the year ended December 31, 2013, or approximately 71% of total revenues, while revenues from customers outside of the U.S. were $84.1 million for the year ended December 31, 2013, or approximately 29% of total revenues. Our focus on organic growth efforts in international markets resulted in increased international revenues of $12.3 million, comprised of increases of $6.0 million in Europe, $1.0 million in Canada, $3.2 million in Asia and $2.7 million in Latin America, offset by a decrease of $0.6 million in the Middle East and Africa during the year ended December 31, 2013 as compared to the prior year period.

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Operating Expenses

The majority of our operating expenses consist of employee salaries and related benefits, stock compensation expense, professional fees, rent and other facility related costs, depreciation expense, and amortization and impairment of acquired intangible assets. Our single largest operating expense relates to our people. In order to effectively motivate our employees and to provide them with proper long-term incentives, we pay the vast majority of our annual bonus arrangements using our common stock. In addition, three of our most senior executives, including our Chief Executive Officer, have agreed to receive shares of our common stock instead of a cash salary.

Our total operating expenses increased by approximately $20.8 million, or approximately 8%, during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase is primarily attributable to increased expenditures for employee salaries and related benefits of $11.0 million associated with our increased headcount, increased commissions and sales incentives of $5.4 million related to compensating our employees and strategic partners to continually garner new clients and better serve our existing clients with our expanding suite of products, increased use of professional services firms in the amount of $4.2 million associated with obtaining accounting and legal services to support our rapidly growing global business and for certain ongoing litigation, increased rent and other facilities related costs and depreciation expense of $2.6 million. These increases were partially offset by proceeds from the settlements of litigation in the amount of $1.4 million and decreased amortization expense of $1.3 million.

Cost of Revenues

	Year Ended December 31,		Change	
	2013	2012	$	%
	(In thousands)			
Cost of revenues	$89,963	$86,379	$3,584	4.1 %
As a percentage of revenues	31.3 %	33.9 %		

Cost of revenues consists primarily of expenses related to operating our network infrastructure, producing our products, and the recruitment, maintenance and support of our consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, and related personnel expenses of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes data collection costs for our products, operational costs associated with our data centers, including depreciation expense associated with computer equipment that supports our panel and systems, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software.

Cost of revenues increased by $3.6 million during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase is primarily attributable to third-party data costs of $2.6 million associated with our data collection efforts, increased depreciation expense of $1.2 million, and employee salaries and related benefits of $1.0 million. These increases were offset by a decrease of $1.2 million associated with reduced usage of third-party customer service providers.

Cost of revenues decreased as a percentage of revenues during the year ended December 31, 2013 as compared to the year ended December 31, 2012 due to increased operating leverage and the reallocation of certain operating resources to research and development activities.

Selling and Marketing Expenses

	Year Ended December 31,		Change	
	2013	2012	$	%
	(In thousands)			
Selling and marketing	$99,947	$91,849	$8,098	8.8 %

As a percentage of revenues	34.8	%	36.0	%

Selling and marketing expenses consist primarily of salaries, benefits, commissions, bonuses, and stock-based compensation paid to our direct sales force and industry analysts, as well as costs related to online and offline advertising, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and

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software. All selling and marketing costs are expensed as they are incurred. Commission plans are developed for our account managers with criteria and size of sales quotas that vary depending upon the individual's role. Commissions are expensed as selling and marketing costs when a sales contract is executed by both the customer and us. Selling and marketing expenses have increased because we hired additional salespeople in order to support international growth, especially in our Digital Analytix and vCE product offerings.

Selling and marketing expenses increased by $8.1 million during the year ended December 31, 2013 compared to the year ended December 31, 2012. This increase is primarily attributable to increased commissions and sales incentives of $5.4 million related to compensating our employees and strategic partners to continually garner new clients and better serve our existing clients with our expanding suite of products and increased revenues coupled with an increase in employee salaries and related benefits of $4.0 million. These costs were offset by a decrease in stock-based compensation of $1.3 million associated with a change in our sales incentive plans that took effect in 2013.

Selling and marketing expenses decreased as a percentage of revenues during the year ended December 31, 2013 as compared to the year ended December 31, 2012 due to faster than expected revenue growth.

Research and Development Expenses

	Year Ended December 31,		Change	
	2013	2012	$	%
		(In thousands)		
Research and development	$41,025	$33,994	$7,031	20.7 %
As a percentage of revenues	14.3 %	13.3 %		

Research and development expenses include new product development costs, consisting primarily of salaries, benefits, stock-based compensation and related costs for personnel associated with research and development activities, fees paid to third parties to develop new products and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software.

Research and development expenses increased by $7.0 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase is primarily attributable to employee salaries and related benefits of $4.9 million associated with activities to support the development and implementation of new products, and increased stock compensation expense of $1.1 million and increased rent, other facility related costs and depreciation of $0.7 million.

Research and development expenses increased as a percentage of revenues for the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the reallocation of human resources to research and development activities.

General and Administrative Expenses

	Year Ended December 31,		Change	
	2013	2012	$	%
		(In thousands)		
General and administrative	$46,449	$38,134	$8,315	21.8 %
As a percentage of revenues	16.2 %	14.9 %		

General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and related expenses for executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software, and expenses incurred for other general corporate purposes.

General and administrative expenses increased by $8.3 million during the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase is primarily attributable to the use of professional services firms

in the amount of $4.2 million associated with obtaining accounting and legal services to support our rapidly growing global business and for certain ongoing litigation, increased stock compensation of $1.4 million associated with high levels of achievement pertaining to our 2013 management performance compensation plans, increased employee salaries, benefits and related costs of

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$1.2 million associated with our increased headcount. These costs were partially offset by a decrease in bad debt expense of $1.0 million associated with more effective collections practices in 2013.

General and administrative expenses increased as a percentage of revenues during the year ended December 31, 2013 as compared to the year ended December 31, 2012, due to increased headcount, professional services fees, ongoing litigation and an increase in our stock compensation.

Amortization Expense

	Year Ended December 31,		Change	
	2013	2012	$	%
		(In thousands)		
Amortization expense	$7,957	$9,289	$(1,332)	(14.3)%
As a percentage of revenues	2.8%	3.7%		

Amortization expense consists of charges related to the amortization of intangible assets associated with acquisitions. Amortization expense decreased by $1.3 million during the year ended December 31, 2013, as compared to the year ended December 31, 2012, due to the impact of the disposition of the ARS Non-Health-Copy-Testing and Equity Tracking business.

Impairment of Intangible Assets

During the three months ended June 30, 2012, we noted a significant decline in revenues from ARS, which we acquired in February 2010. As a result, we performed an impairment test of the long-lived assets of ARS. The long-lived assets of ARS consist of customer relationships and acquired methodologies and technology. The first step in testing the long-lived assets of ARS for impairment was to compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of ARS to the carrying value of ARS's long-lived assets. Based on this analysis, we determined as of June 30, 2012 that the sum of the expected undiscounted cash flows to be generated from ARS was less than the carrying value of the ARS intangible assets. As such, we concluded that the intangible assets of ARS were impaired. To measure the amount of the impairment, we then estimated the fair value of the ARS intangible assets as of June 30, 2012. In determining the fair value of the intangible assets, we prepared a discounted cash flow (“DCF”) analysis for each intangible asset. In preparing the DCF analysis, we used a combination of income approaches, including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis are based on our most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows of ARS, as well as a royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. Based on the DCF analysis, we have estimated the fair value of the intangible assets of ARS to be $2.5 million as of June 30, 2012, which resulted in an impairment charge of $3.3 million during the year ended December 31, 2012. In addition, these intangible assets will be amortized over a remaining estimated useful life of eighteen months, beginning July 1, 2012.

During the three months ended March 31, 2013, we completed the sale of certain assets related to our ARS Non-Health Copy-Testing and Equity Tracking business. In connection with the disposition, we received total proceeds of $1.0 million. In addition, we entered into a license agreement in which we will retain the right to use the necessary intellectual property to continue to provide the ARS Copy-Testing and Equity Tracking services to our Health related customers and recorded an intangible asset of $1.2 million based on the estimated fair value of the licensed intellectual property. In determining the fair value of the intangible asset, the Company prepared a discounted cash flow (“DCF”) analysis using a combination of income approaches including the relief from royalty approach and the excess earnings approach. The cash flows employed in the DCF analysis were based on the Company’s most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows associated with the health related customers of ARS, as well as a

royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. This intangible asset will be amortized on a straight-line basis over its estimated useful life of 3 years beginning April 1, 2013. The assets disposed of included computer equipment, furniture and fixtures, intellectual property and the intangible assets associated with the ARSgroup. Due to the fact that we will continue to provide the ARS Copy-Testing and Equity Tracking services to its Health related customers and have therefore not eliminated the operations and cash flows of the ARSgroup, we have concluded that the disposition does not qualify for presentation as discontinued operations. In connection with this transaction we recorded a gain on the disposition of $0.2 million.

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Interest and Other Income, Net

Interest and other income/expense, net, consists of interest income, interest expense and gains or losses on disposals of fixed assets.

Interest income consists of interest earned from our cash and cash equivalent balances. Interest expense is incurred due to capital leases pursuant to several equipment loan and security agreements to finance the lease of various hardware and other equipment purchases and our revolving credit facility. Our capital lease obligations are secured by a senior security interest in eligible equipment.

Interest and other income (expense), net remained relatively constant for the years ended December 31, 2013 and December 31, 2012 with a net expense of $0.9 million.

Loss From Foreign Currency

The functional currency of our foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rates as of the end of the period, and revenues and expenses are translated at average rates in effect during the period. The gain or loss resulting from the process of translating the foreign currency financial statements into U.S. dollars is included as a component of other comprehensive (loss) income.

We recorded a transaction loss of $0.1 million for the year ended December 31, 2013 as compared to a transaction loss of $0.7 million during the year ended December 31, 2012.

Provision for Income Taxes

As of December 31, 2013, we had federal and state net operating loss carryforwards for tax purposes of approximately $37.2 million and $38.3 million, respectively. These net operating loss carryforwards begin to expire in 2022 for federal income tax purposes and begin to expire in 2014 for state income tax purposes. In the future, we intend to utilize any carryforwards available to us to reduce our tax payments. A portion of our net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. We do not expect that this limitation will impact our ability to utilize all of our net operating losses prior to their expiration. We recognized income tax expense of approximately $4.4 million during the year ended December 31, 2013, which is comprised of current tax expense of $0.5 million related to federal alternative minimum tax and state income tax liabilities, $1.5 million of foreign income tax expense, and deferred tax expense of approximately $2.4 million related to temporary differences between the tax treatment and financial reporting treatment for certain items. Included within the total deferred tax expense of $2.4 million is $2.3 million of deferred tax expense related to the establishment of a deferred tax liability for Subpart F income that will be recognized in a future year and $2.9 million of deferred tax benefit related to the release of valuation allowances in certain foreign jurisdictions.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

	Year Ended December 31,		Change		
	2012	2011	$	%	
	(In thousands)				
Revenues	$255,193	$232,392	$22,801	9.8	%

Total revenues increased by approximately $22.8 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. We attribute the revenue growth to increased sales to our existing customer base and continued growth of our customer base during the period. Revenue from existing customers increased $25.4 million from $202.6 million for the year ended December 31, 2011 to $228.0 million for the year ended December 31, 2012, while revenue from new customers decreased $2.6 million from $29.8 million for the year ended December 31, 2011 to $27.2 million for the year ended December 31, 2012. Revenue from new customers decreased due to a significant focus on the selling of new products, especially vCE, to our current customer base. In addition, revenue associated with the ARS copy testing products decreased $6.3 million to $9.4 million during the year ended December 31, 2012 from $15.7 million during the year ended December 31, 2011.

We experienced continued revenue growth in subscription revenues, which increased by approximately $19.2 million during the year ended December 31, 2012, from $196.8 million in the prior year period. We also experienced continued revenue

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growth from our project-based revenues which increased by approximately $3.6 million during the year ended December 31, 2012, from $35.6 million in the prior year period.

Revenues from U.S customers were $183.4 million for the year ended December 31, 2012, or approximately 72% of total revenues, while revenues from customers outside of the U.S. were $71.8 million for the year ended December 31, 2012, or approximately 28% of total revenues. Our focus on organic growth efforts in international markets resulted in increased international revenues of $11.8 million, comprised of increases of $7.7 million in Europe, $1.8 million in Canada, $1.8 million in Asia and $1.7 million in Latin America, offset by a decrease of $1.2 million in the Middle East and Africa during the year ended December 31, 2012 as compared to the prior year period.

Operating Expenses

The majority of our operating expenses consist of employee salaries and related benefits, stock compensation expense, professional fees, rent and other facility related costs, depreciation expense, and amortization and impairment of acquired intangible assets. Our single largest operating expense relates to our people. In order to effectively motivate our employees and to provide them with proper long-term incentives, we pay the vast majority of our annual bonus arrangements using our common stock. In addition, three of our most senior executives, including our Chief Executive Officer, have agreed to receive shares of our common stock instead of a cash salary.

Our total operating expenses increased by approximately $12.6 million, or approximately 5%, during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This increase is primarily attributable to increased expenditures for employee salaries, benefits and related costs of $11.5 million associated with our increased headcount, increased use of stock based compensation of $3.6 million, an impairment charge of $3.3 million related to a decline in value of intangible assets acquired as part of the ARS acquisition, increased royalties and reseller fees of $2.4 million associated with an increase in the usage of third parties to sell our products, increased rent and other facilities related costs and depreciation expense of $2.4 million, increased travel and airfare of $1.6 million associated with our sales efforts, and increased bad debt expense of $1.2 million associated with the write-off of accounts receivable deemed uncollectible. The increases were partially offset by a decrease in professional fees of $11.3 million associated with patent infringement litigation that occurred in 2011 and the related settlement expense of $5.2 million.

Cost of Revenues

	Year Ended December 31,				Change		
	2012		2011		$	%	
			(In thousands)				
Cost of revenues	$86,379		$75,103		$11,276	15.0	%
As a percentage of revenues	33.9	%	32.3	%			

Cost of revenues consists primarily of expenses related to operating our network infrastructure, producing our products, and the recruitment, maintenance and support of our consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, and related personnel expenses of network operations, survey operations, custom analytics and technical support, all of which are expensed as they are incurred. Cost of revenues also includes data collection costs for our products, operational costs associated with our data centers, including depreciation expense associated with computer equipment that supports our panel and systems, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software.

Cost of revenues increased by approximately $11.3 million during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase is primarily attributable to increased expenditures for employee salaries, benefits and related costs of $5.6 million associated with our increased headcount, increased royalties and reseller fees of $2.4 million associated with an increase in the usage of third-parties to sell our products, increased panel recruitment costs of $1.3 million associated with new panels in the UK and Spain, increased third-party sample costs of $1.1 million associated with specific projects, such as the 2012 NBC summer Olympics coverage, and increased incentive costs of $0.5 million associated with compensating members of our panels. These costs were partially offset

by a decrease of $1.9 million associated with a reduction in the usage of third-party providers for customer service and support related to our data collection efforts.

Cost of revenues increased as a percentage of revenues during the year ended December 31, 2012 as compared to the year ended December 31, 2011 reflecting our increased expenses for additional employees and infrastructure in anticipation of increased growth in 2013 and beyond coupled with costs associated with our expanding panel.

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Selling and Marketing Expenses

	Year Ended December 31,		Change	
	2012	2011	$	%
	(In thousands)			
Selling and marketing	$91,849	$78,289	$13,560	17.3 %
As a percentage of revenues	36.0 %	33.7 %		

Selling and marketing expenses consist primarily of salaries, benefits, commissions, bonuses, and stock-based compensation paid to our direct sales force and industry analysts, as well as costs related to online and offline advertising, industry conferences, promotional materials, public relations, other sales and marketing programs, and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software. All selling and marketing costs are expensed as they are incurred. Commission plans are developed for our account managers with criteria and size of sales quotas that vary depending upon the individual's role. Commissions are expensed as selling and marketing costs when a sales contract is executed by both the customer and us. Selling and marketing expenses have increased because we have been recruiting additional salespeople in order to support international growth, especially in our Digital Analytix and vCE product offerings.

Selling and marketing expenses increased by $13.6 million during the year ended December 31, 2012 compared to the year ended December 31, 2011. This increase is primarily attributable to increased employee salaries, benefits and related costs of $5.5 million and increased stock-based compensation of $3.8 million associated with our increased headcount as well as a decision to pay certain sales related bonuses with our common stock, increased travel and airfare of $1.6 million associated with our sales efforts, increased rent and other facility related costs and depreciation expense allocations of $1.6 million, and increased sales commissions of $0.5 million associated with our increased sales level. These costs were partially offset by severance costs of $0.4 million that occurred in 2011 but not in 2012.

Selling and marketing expenses increased as a percentage of revenues during the year ended December 31, 2012 as compared to the year ended December 31, 2011 due to slower than expected revenue growth.

Research and Development Expenses

	Year Ended December 31,		Change	
	2012	2011	$	%
	(In thousands)			
Research and development	$33,994	$34,050	$(56)	(0.2)%
As a percentage of revenues	13.3 %	14.7 %		

Research and development expenses include new product development costs, consisting primarily of salaries, benefits, stock-based compensation and related costs for personnel associated with research and development activities, fees paid to third parties to develop new products and allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software.

Research and development expenses decreased by $0.1 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This decrease is primarily attributable to decreased employee salaries, benefits and related costs of $0.8 million associated with a reallocation of resources away from research and development activities offset by higher costs of $0.8 million related to certain data licensing contracts associated with new products in development.

Research and development expenses decreased as a percentage of revenues for the year ended December 31, 2012 compared to the year ended December 31, 2011 due to the fact that overall research and development costs remained relatively constant coupled with the increase in revenues.

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General and Administrative Expenses

	Year Ended December 31,		Change	
	2012	2011	$	%
		(In thousands)		
General and administrative	$38,134	$48,514	$(10,380)	(21.4)%
As a percentage of revenues	14.9%	20.9%		

General and administrative expenses consist primarily of salaries, benefits, stock-based compensation, and related expenses for executive management, finance, accounting, human capital, legal and other administrative functions, as well as professional fees, overhead, including allocated overhead, which is comprised of rent and other facilities related costs, and depreciation expense related to general purpose equipment and software, and expenses incurred for other general corporate purposes.

General and administrative expenses decreased by $10.4 million during the year ended December 31, 2012 as compared to the year ended December 31, 2011. This decrease is primarily attributable to a decrease in professional fees of $11.3 million associated with patent infringement litigation that occurred in 2011 and was settled in the fourth quarter of 2011, partially offset by increased employee salaries, benefits and related costs of $1.2 million associated with our increased headcount and increased bad debt expense of $1.2 million associated with the write-off of accounts receivable deemed uncollectible and an increase in our allowance for doubtful accounts due to our continued international expansion. In particular, during the year we wrote-off approximately $0.3 million in accounts receivable from two customers located in the Middle East. As a result, we have modified our sales practices in certain countries by going to a reseller type model whereby we contract with one customer in the region as opposed to contracting directly with multiple customers. In addition, based on our recent historical experience we have increased our allowance for doubtful accounts.

General and administrative expenses decreased as a percentage of revenues during the year ended December 31, 2012 as compared to the year ended December 31, 2011, due to the overall reduction in costs coupled with the increase in revenues.

Amortization Expense

	Year Ended December 31,		Change	
	2012	2011	$	%
	(In thousands)			
Amortization expense	$9,289	$9,301	$(12)	(0.1)%
As a percentage of revenues	3.7%	4.0%		

Amortization expense consists of charges related to the amortization of intangible assets associated with acquisitions.

Amortization expense remained constant at $9.3 million during the year ended December 31, 2012, as compared to the year ended December 31, 2011 due principally to certain intangible assets whose useful life ended as of December 31, 2011, offset by increased amortization of intangible assets that were acquired as part of the AdXpose acquisition in the third quarter of 2011, the acquisition of certain patent intangible assets acquired in the fourth quarter of 2011, and the shortening of the useful life of the ARS intangible assets.

Impairment of Intangible Assets

During the three months ended June 30, 2012, we noted a significant decline in revenues from ARS, which we acquired in February 2010. As a result, we performed an impairment test of the long-lived assets of ARS. The long-lived assets of ARS consist of customer relationships and acquired methodologies and technology. The first step in testing the long-lived assets of ARS for impairment was to compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of ARS to the carrying value of ARS's long-lived assets. Based on this analysis, we determined as of June 30, 2012 that the sum of the expected undiscounted cash flows to be generated from ARS was less than the carrying value of the ARS intangible assets. As such, we concluded that the

intangible assets of ARS were impaired. To measure the amount of the impairment, we then estimated the fair value of the ARS intangible assets as of June 30, 2012. In determining the fair value of the intangible assets, we prepared a discounted cash flow ("DCF") analysis for each intangible asset. In preparing the DCF analysis, we used a combination of income approaches, including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in

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the DCF analysis are based on our most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows of ARS, as well as a royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. Based on the DCF analysis, we have estimated the fair value of the intangible assets of ARS to be $2.5 million as of June 30, 2012, which resulted in an impairment charge of $3.3 million during the year ended December 31, 2012. In addition, these intangible assets will be amortized over a remaining estimated useful life of eighteen months, beginning July 1, 2012.

Interest and Other Income, Net

Interest and other income/expense, net, consists of interest income, interest expense and gains or losses on disposals of fixed assets.

Interest income consists of interest earned from our cash and cash equivalent balances. Interest expense is incurred due to capital leases pursuant to several equipment loan and security agreements to finance the lease of various hardware and other equipment purchases and our revolving credit facility. Our capital lease obligations are secured by a senior security interest in eligible equipment.

Interest and other income (expense), net for the year ended December 31, 2012 resulted in net expense of $0.9 million as compared to net expense of $0.5 million for the year ended December 31, 2011. The increase in interest expense was due to our increased use of capital leases to finance the expansion of our technology infrastructure along with fees associated with our revolving credit facility coupled with a reduction in interest income associated with the sale of our auction rate securities in 2011.

Loss From Foreign Currency

The functional currency of our foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rates as of the end of the period, and revenues and expenses are translated at average rates in effect during the period. The gain or loss resulting from the process of translating the foreign currency financial statements into U.S. dollars is included as a component of other comprehensive (loss) income.

We recorded a transaction loss of $0.7 million for the year ended December 31, 2012 as compared to a transaction loss of $0.4 million during the year ended December 31, 2011, respectively, due to our increased international presence in Europe and Latin America.

Provision for Income Taxes

As of December 31, 2012, we had federal and state net operating loss carryforwards for tax purposes of approximately $46.8 million and $43.1 million, respectively. These net operating loss carryforwards begin to expire in 2022 for federal income tax purposes and begin to expire in 2013 for state income tax purposes. In the future, we intend to utilize any carryforwards available to us to reduce our tax payments. A portion of our net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. We do not expect that this limitation will impact our ability to utilize all of our net operating losses prior to their expiration. We recognized income tax expense of approximately $2.4 million during the year ended December 31, 2012, which is comprised of current tax expense of $0.1 million related to federal alternative minimum tax and state income tax liabilities, $1.4 million of foreign income tax expense, and deferred tax expense of approximately $0.9 million related to temporary differences between the tax treatment and financial reporting treatment for certain items. Included within the total deferred tax expense of $0.9 million is $2.6 million of deferred tax expense associated with the write-off of a deferred tax asset related to certain market-based stock awards that will never be realized due to the expiration of the stock awards.

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Liquidity and Capital Resources

The following table summarizes our cash flows:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Consolidated Cash Flow Data			
Net cash provided by operating activities	$44,574	$44,872	$26,750
Net cash used in investing activities	(4,437)	(7,590)	(9,806)
Net cash used in financing activities	(32,885)	(14,285)	(12,303)
Effect of exchange rate changes on cash	(1,221)	696	(306)
Net increase in cash and equivalents	6,031	23,693	4,335

Our principal uses of cash historically have consisted of cash paid for business acquisitions, payroll and other operating expenses and payments related to the investments in equipment primarily to support our consumer panel and technical infrastructure required to support our customer base. We will be investing approximately $8 to $10 million in 2014 to expand our cross-media market potential. As of December 31, 2013, our principal sources of liquidity consisted of $67.8 million in cash, the majority of which represents cash generated from operating activities. As of December 31, 2013, $11.3 million of the $67.8 million in cash on hand was held by foreign subsidiaries that would be subject to tax withholding payments if it is repatriated to the U.S. It is management's current intention that all foreign earnings will be indefinitely reinvested in these foreign countries and will not be repatriated to the U.S. However, if management were to repatriate these funds to the U.S., they would be subject to income tax payments ranging from 5% to 15% of the amount repatriated.

On September 26, 2013, the Company entered into a Credit Agreement (the "Credit Agreement") with several banks (the "Lenders") with Bank of America, N.A. ("Bank of America") as administrative agent and lead lender. The Credit Agreement provides for a five-year revolving credit facility of $100.0 million, which includes a $10.0 million sublimit for issuance of standby letters of credit, a $10 million sublimit for swing line loans and a $10.0 million sublimit for alternative currency lending. The maturity date of the Credit Agreement is September 26, 2018. The Credit Agreement also contains an expansion option permitting the Company to request an increase of the credit facility up to an aggregate additional $50 million, subject to certain conditions. Borrowings under the Revolving Credit Facility shall be used towards working capital and other general corporate purposes as well as for the issuance of letters of credit, and the repurchase of equity interests in the Company not to exceed $50 million during the five-year revolver term.

Base rate loans and swing line loans will bear interest at the Base rate plus the Applicable Rate, as such terms are defined in the Credit Agreement and summarized below. The Base Rate is the highest rate of the following: (a) the Federal Funds rate plus 0.50%, (b) the publicly announced Bank of America prime rate, and (c) the Eurocurrency rate as defined in the Credit Agreement plus 1.0%. The Applicable Rate for base rate loans and swing line loans is 0.50% to 1.50% depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter. Amounts supporting letters of credit bear interest at the Applicable Rate for revolving loans. Each Eurocurrency rate loan will bear interest at the Eurocurrency Rate (as defined in the Credit Agreement) plus the Applicable Rate ranging from 1.50% to 2.50% depending on our funded debt-to-EBITDA ratio at the end of each fiscal quarter. Beginning September 26, 2013 through the five-year revolver term, we are obligated to pay a fee, payable quarterly in arrears, based on the average unused portion of the available amounts under the Credit Agreement at a rate of 0.20% to 0.35% per annum depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter.

Under the terms of the Credit Agreement, we are subject to various usual and customary covenants, including, but not limited to: financial covenants requiring maximum funded debt-to-EBITDA ratio and cash flow-to-fixed charge ratios and covenants relating to the Company's ability to dispose of assets, make certain acquisitions, be acquired, incur indebtedness, grant liens and make certain investments. As of December 31, 2013, we were in full compliance with all covenants contained in the Credit Agreement.

As of December 31, 2013, there are no amounts outstanding under our Credit Agreement.
We maintain letters of credit in lieu of security deposits with respect to certain office leases. As of December 31, 2013, $4.0 million in letters of credit were outstanding, leaving $6.0 million available for additional letters of credit. These letters of credit may be reduced periodically provided that we meet the conditional criteria of each related lease agreement.

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Operating Activities

Our cash flows from operating activities are significantly influenced by our investments in personnel and infrastructure to support the anticipated growth in our business, increases in the number of customers using our products and the amount and timing of payments made by these customers.

We generated approximately $44.6 million of net cash from operating activities during the year ended December 31, 2013. Our cash flows from operations were driven by our net loss of $2.3 million, offset by $54.8 million in non-cash items such as depreciation, impairment of intangible assets, amortization, provision for bad debts, stock-based compensation, and a non-cash deferred tax provision. In addition, our operating cash flows were positively impacted by a $7.4 million increase in deferred revenue related to increased sales and the collection of cash in advance of revenue recognition, a $5.7 million increase in accounts payable, and a $2.4 million increase in deferred rent due to tenant allowances related to our leases. Cash flows from operations were negatively impacted by a $22.6 million increase in accounts receivable associated with our increased revenues, especially during the fourth quarter, and a $0.7 million increase in prepaid expenses and other current assets.

We generated approximately $44.9 million of net cash from operating activities during the year ended December 31, 2012. Our cash flows from operations were driven by our net loss of $11.8 million, offset by $55.1 million in non-cash items such as depreciation, impairment of intangible assets, amortization, provision for bad debts, stock-based compensation, and a non-cash deferred tax provision. In addition, our operating cash flows were positively impacted by a $11.6 million increase in deferred revenue and amounts collected from customers in advance of when we recognize revenue, a $1.3 million increase in deferred rent due to tenant allowances related to our leases and a $1.5 million decrease in prepaid expenses and other current assets. Cash flows from operations were negatively impacted by a $7.8 million decrease in accounts payable, accrued expense and other liabilities associated with the timing of payments associated with annual bonuses paid in the first quarter of the year and professional fees accrued as of December 31, 2011, and a $4.9 million increase in accounts receivable associated with our increased revenues.

We generated approximately $26.8 million of net cash from operating activities during the year ended December 31, 2011. Our cash flows from operations were driven by our net loss of $15.8 million, offset by $43.9 million in non-cash items such as depreciation, amortization, provision for bad debts, stock-based compensation, the settlement of outstanding litigation, a non-cash deferred tax benefit, and a gain on the sale of marketable securities. In addition, our operating cash flows were positively impacted by an $11.4 million net increase in accounts payable and accrued expenses due to the timing of payments issued to our vendors and a $0.5 million increase in deferred rent due to tenant allowances related to our leases. Cash flows from operations were negatively impacted by a $10.2 million increase in accounts receivable associated with our increased revenues, a $1.6 million decrease in amounts collected from customers in advance of when we recognize revenue and a $1.5 million increase in prepaid expenses and other current assets.

Investing Activities

Our primary regularly recurring investing activities have consisted of purchases of computer network equipment to support our Internet user panel and maintenance of our database, furniture and equipment to support our operations, purchases and sales of marketable securities, and payments related to the acquisition of several companies. As our customer base continues to expand, we expect purchases of technical infrastructure equipment to grow in absolute dollars. The extent of these investments will be affected by our ability to expand relationships with existing customers, grow our customer base, introduce new digital formats and increase our international presence.

We used $4.4 million of net cash in investing activities during the year ended December 31, 2013, associated with the purchase of property and equipment to maintain and expand our technology infrastructure.

We used $7.6 million of net cash in investing activities during the year ended December 31, 2012, associated with the purchase of property and equipment to maintain and expand our technology infrastructure.

We used $9.8 million of net cash in investing activities during the year ended December 31, 2011. Approximately $7.2 million was associated with the purchase of property and equipment to maintain and expand our technology infrastructure, approximately $5.2 million, net of cash acquired, was used for acquisitions of businesses and certain intellectual property In addition, we sold certain marketable securities for $2.6 million.

We expect to achieve greater economies of scale and operating leverage as we expand our customer base and utilize our Internet user panel and technical infrastructure more efficiently. While we anticipate that it will be necessary for us to continue to invest in our Internet user panel, technical infrastructure and technical personnel to support the combination of an increased customer base, new products, international expansion and new digital market intelligence formats, we believe that these investment requirements will be less than the revenue growth generated by these actions. This should result in a lower rate of

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growth in our capital expenditures to support our technical infrastructure. In any given period, the timing of our incremental capital expenditure requirements could impact our cost of revenues, both in absolute dollars and as a percentage of revenues.

Financing Activities

We used $32.9 million of cash during the year ended December 31, 2013 for financing activities. This included $9.3 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. We also used $13.1 million to repurchase shares under our share repurchase program. In addition we used $10.2 million to make payments on our capital lease obligations offset by $0.2 million in proceeds from the exercise of our common stock options. Also, during the year ended December 31, 2013, we received $4.0 million related to borrowings under our revolving credit facility and repaid this amount during 2013.

We used $14.3 million of cash during the year ended December 31, 2012 for financing activities. This included $7.4 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. In addition we used $7.0 million to make payments on our capital lease obligations offset by $0.2 million in proceeds from the exercise of our common stock options. Also, during the year ended December 31, 2012, we received $4.1 million related to borrowings under our revolving credit facility. The total amount borrowed, which was denominated in euros, was repaid prior to December 31, 2012 and translated to $4.3 million.

We used $12.3 million of cash during the year ended December 31, 2011 for financing activities. This included $7.4 million for shares repurchased by us pursuant to the exercise by stock incentive plan participants of their right to elect to use common stock to satisfy their tax withholding obligations. In addition we used $5.4 million to make payments on our capital lease obligations offset by $0.4 million in proceeds from the exercise of our common stock options.

We do not have any special purpose entities and we do not engage in off-balance sheet financing arrangements.

Contractual Obligations and Known Future Cash Requirements

Set forth below is information concerning our known contractual obligations as of December 31, 2013 that are fixed and determinable.

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
			(In thousands)		
Capital lease obligations	$25,097	$11,254	$13,785	$58	$—
Operating lease obligations	77,515	10,107	20,076	18,695	28,637
Total	$102,612	$21,361	$33,861	$18,753	$28,637

Our principal lease commitments consist of obligations under leases for office space and computer and telecommunications equipment. In current and prior years, we financed the purchase of some of our computer equipment under capital lease arrangements over a period of either 36 or 42 months. Our purchase obligations relate to outstanding orders to purchase computer equipment, are typically small and they do not materially impact our overall liquidity.

We have a lease financing arrangement with Banc of America Leasing & Capital, LLC in the amount of $10.0 million. This arrangement has been established to allow us to finance the purchase of new software, hardware and other computer equipment as we expand our technology infrastructure in support of our business growth. During the year ended December 31, 2013 we incurred $1.4 million of additional borrowings under this financing arrangement. As of December 31, 2013, we have total borrowings under this arrangement of approximately $8.6 million. These leases bear an interest rate of approximately 5% per annum. The base terms for these leases range from three years to three and a half years and include a nominal charge in the event of prepayment. Lease payments are approximately $7.8 million per year. Assets acquired under the equipment lease secure the obligations. In addition to

our leasing arrangement with Banc of America, we have also entered into a number of capital lease arrangements with various equipment vendors.

As of December 31, 2013, $4.0 million in letters of credit were outstanding, leaving $6.0 million available for additional letters of credit. These letters of credit may be reduced periodically provided we meet the conditional criteria of each related lease agreement.

As noted in the liquidity and capital resources section, in September 2013, we entered into a $100.0 million revolving credit facility. As of December 31, 2013 and February 14, 2014, no amounts are outstanding under the terms of our Revolving Credit Facility.

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Future Capital Requirements

Our ability to generate cash is subject to our performance, general economic conditions, industry trends and other factors. To the extent that our existing cash, cash equivalents, short-term investments and operating cash flow are insufficient to fund our future activities and requirements, we may need to raise additional funds through public or private equity or debt financing. If we issue equity securities in order to raise additional funds, substantial dilution to existing stockholders may occur.

Recent Accounting Pronouncements

Recent accounting pronouncements are detailed in Note 2 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements (as defined in Item 303 of Regulation S-K).

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. We do not hold or issue financial instruments for trading purposes or have any derivative financial instruments. To date, most payments made under our contracts are denominated in U.S. dollars and we have not experienced material gains or losses as a result of transactions denominated in foreign currencies. As of December 31, 2013, our cash reserves were maintained in bank deposit accounts totaling $67.8 million.

Foreign Currency Risk

A portion of our revenues and expenses from business operations in foreign countries are derived from transactions denominated in currencies other than the functional currency of our operations in those countries. As such, we have exposure to adverse changes in exchange rates associated with revenues and operating expenses of our foreign operations, in markets such as Latin American and Europe, but we believe this exposure to be immaterial at this time. As such, we do not currently engage in any transactions that hedge foreign currency exchange rate risk. As we grow our international operations, our exposure to foreign currency risk could become more significant.

Interest Rate Sensitivity

As of December 31, 2013, our principal sources of liquidity consisted of $67.8 million of cash. The cash is held for working capital purposes. We do not enter into investments for trading or speculative purposes. We believe that we do not have any material exposure to changes in the fair value as a result of changes in interest rates. Declines in interest rates, however, will reduce future investment income. If overall interest rates fell by 1% during the year ended December 31, 2011, our interest income would have declined by less than $0.1 million, assuming consistent investment levels.

Liquidity Risk

As of December 31, 2013, our principal sources of liquidity consisted of $67.8 million in cash, the majority of which represents cash generated from operations. As of December 31, 2013, $11.3 million of the $67.8 million in cash on hand was held by foreign subsidiaries that would be subject to tax withholding payments if it is repatriated to the U.S. It is management's current intention that all foreign earnings will be indefinitely reinvested in these foreign countries and will not be repatriated to the U.S. However, if management were to repatriate these funds to the U.S., they would be subject to income tax payments ranging from 5% to 15% of the amount repatriated.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of comScore, Inc.

We have audited the accompanying consolidated balance sheets of comScore, Inc. (the Company) as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of comScore, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), comScore, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) and our report dated February 18, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
McLean, Virginia
February 18, 2014

COMSCORE, INC.
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2013	2012
	(In thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$67,795	$61,764
Accounts receivable, net of allowances of $1,667 and $1,117, respectively	90,040	68,348
Prepaid expenses and other current assets	10,162	8,877
Deferred tax assets	10,802	9,940
Total current assets	178,799	148,929
Property and equipment, net	37,995	31,418
Other non-current assets	1,123	414
Long-term deferred tax assets	9,244	12,065
Intangible assets, net	32,938	40,759
Goodwill	103,314	102,900
Total assets	$363,413	$336,485
Liabilities and Equity		
Current liabilities:		
Accounts payable	$3,378	$7,229
Accrued expenses	33,472	24,409
Deferred revenues	86,607	80,824
Deferred rent	1,155	807
Deferred tax liabilities	10	17
Capital lease obligations	10,351	8,020
Total current liabilities	134,973	121,306
Deferred rent, long-term	11,747	10,096
Deferred revenue, long-term	2,859	1,715
Deferred tax liabilities, long-term	595	130
Capital lease obligations, long-term	13,330	6,478
Other long-term liabilities	1,107	1,117
Total liabilities	164,611	140,842
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.001 par value per share; 5,000,000 shares authorized at December 31, 2013 and December 31, 2012; no shares issued or outstanding at December 31, 2013 and December 31, 2012	—	—
Common stock, $0.001 par value per share; 100,000,000 shares authorized at December 31, 2013 and December 31, 2012; 35,699,508 shares issued and 35,216,071 shares outstanding as of December 31, 2013 and 35,679,430 shares issued and outstanding at December 31, 2012, respectively	36	36
Additional paid-in capital	293,322	274,622
Accumulated other comprehensive income	1,726	1,825
Accumulated deficit	(83,173)	(80,840)
Treasury stock, at cost, 483,437 and 0 shares as of December 31, 2013 and December 31, 2012, respectively	(13,109)	—

Total stockholders' equity	198,802	195,643
Total liabilities and stockholders' equity	$363,413	$336,485

The accompanying notes are an integral part of these consolidated financial statements.

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COMSCORE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	Year ended December 31,		
	2013	2012	2011
	(In thousands, except share and per share data)		
Revenues	$286,860	$255,193	$232,392
Cost of revenues (excludes amortization of intangible assets resulting from acquisitions shown below) (1)	89,963	86,379	75,103
Selling and marketing (1)	99,947	91,849	78,289
Research and development (1)	41,025	33,994	34,050
General and administrative (1)	46,449	38,134	48,514
Amortization of intangible assets	7,957	9,289	9,301
Impairment of intangible assets	—	3,349	—
Gain on asset disposition	(214)	—	—
Settlement of litigation	(1,360)	—	5,175
Total expenses from operations	283,767	262,994	250,432
Income (loss) from operations	3,093	(7,801)	(18,040)
Interest and other (expense) income, net	(938)	(870)	(525)
Loss from foreign currency transactions	(62)	(744)	(410)
Gain from sale of marketable securities	—	—	211
Income (loss) before income tax benefit (provision)	2,093	(9,415)	(18,764)
Income tax benefit (provision)	(4,426)	(2,374)	2,974
Net loss	$(2,333)	$(11,789)	$(15,790)
Net loss per common share:			
Basic	$(0.07)	$(0.35)	$(0.49)
Diluted	$(0.07)	$(0.35)	$(0.49)
Weighted-average number of shares used in per share calculation - common stock:			
Basic	34,443,126	33,244,798	32,289,877
Diluted	34,443,126	33,244,798	32,289,877
Comprehensive (loss) income:			
Net loss	$(2,333)	$(11,789)	$(15,790)
Other comprehensive (loss) income:			
Foreign currency cumulative translation adjustment	(99)	1,208	(1,110)
Unrealized loss on marketable securities, net	—	—	(228)
Realized gain on the sale of marketable securities, net	—	—	(211)
Total comprehensive loss	$(2,432)	$(10,581)	$(17,339)

(1) Amortization of stock-based compensation is included in the line items above as follows

	2013	2012	2011
Cost of revenues	$3,346	$2,481	$1,976
Selling and marketing	11,062	12,283	8,512
Research and development	3,021	1,919	1,988
General and administrative	9,606	8,213	8,784

The accompanying notes are an integral part of these consolidated financial statements.

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COMSCORE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Stockholders' Deficit	Treasury stock, at cost	Total Stockholders' Equity
	Shares	Amount					
	(In thousands, except share data)						
Balance at December 31, 2010	31,523,559	$32	$216,895	$2,166	$(53,261)	$—	$165,832
Net loss	—	—	—	—	(15,790)	—	(15,790)
Foreign currency translation adjustment	—	—	—	(1,110)	—	—	(1,110)
Unrealized loss on marketable securities	—	—	—	(439)	—	—	(439)
Common stock issued in conjunction with acquisitions	982,285	1	15,057	—	—	—	15,058
Common stock issued in conjunction with litigation settlement	974,358	1	16,174	—	—	—	16,175
Exercise of common stock options	203,894	—	371	—	—	—	371
Issuance of restricted stock	641,052	—	(1)			—	(1)
Restricted stock canceled	(135,903)	—	—	—	—	—	—
Restricted stock units vested	116,863	—	—	—	—	—	—
Common stock received for tax withholding	(290,674)	—	(7,392)	—	—	—	(7,392)
Excess tax benefits from stock based compensation, net	—	—	103	—	—	—	103
Amortization of stock based compensation	—	—	17,760	—	—	—	17,760
Balance at December 31, 2011	34,015,434	34	258,967	617	(69,051)	—	190,567
Net loss	—	—	—	—	(11,789)	—	(11,789)
Foreign currency translation adjustment	—	—	—	1,208	—	—	1,208
Exercise of common stock options	367,234	—	238	—	—	—	238
Exercise of common stock warrants	19,895	—	—	—	—	—	—
Issuance of restricted stock	1,706,900	2	(2)	—	—	—	—

Restricted stock canceled	(233,903)	—	—	—	—	—	—
Restricted stock units vested	168,215	—	—	—	—	—	—
Common stock received for tax withholding	(364,345)	—	(7,362)	—	—	—	(7,362)
Excess tax benefits from stock based compensation, net	—	—	(51)	—	—	—	(51)
Amortization of stock based compensation	—	—	22,832	—	—	—	22,832
Balance at December 31, 2012	35,679,430	36	274,622	1,825	(80,840)	—	195,643
Net loss	—	—	—	—	(2,333)	—	(2,333)
Foreign currency translation adjustment	—	—	—	(99)	—	—	(99)
Exercise of common stock options	52,063	—	227	—	—	—	227
Issuance of restricted stock	484,052	—	—	—	—	—	—
Restricted stock canceled	(206,360)	—	—	—	—	—	—
Restricted stock units vested	200,651	—	—	—	—	—	—
Common stock received for tax withholding	(510,328)	—	(9,312)	—	—	—	(9,312)
Repurchase of common stock	(483,437)	—	—	—	—	(13,109)	(13,109)
Amortization of stock based compensation	—	—	27,785	—	—	—	27,785
Balance at December 31, 2013	35,216,071	$36	$293,322	$1,726	$(83,173)	$(13,109)	$198,802

The accompanying notes are an integral part of these consolidated financial statements.

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COMSCORE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
	(In thousands)		
Operating activities			
Net loss	$(2,333)	$(11,789)	$(15,790)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	16,777	14,159	13,352
Amortization of intangible assets resulting from acquisitions	7,957	9,289	9,301
Impairment of intangible assets	—	3,349	—
Provision for bad debts	1,248	1,429	220
Stock-based compensation	27,035	24,896	21,260
Amortization of deferred rent	(340)	934	(822)
Deferred tax (benefit) provision	2,381	896	(4,356)
Loss on asset disposal	(267)	140	25
Gain on sale of marketable securities	—	—	(211)
Settlement of litigation	—	—	5,175
Changes in operating assets and liabilities:			
Accounts receivable	(22,560)	(4,936)	(10,184)
Prepaid expenses and other current assets	(712)	1,465	(1,520)
Accounts payable, accrued expenses, and other liabilities	5,672	(7,840)	11,390
Deferred revenues	7,364	11,568	(1,610)
Deferred rent	2,352	1,312	520
Net cash provided by operating activities	44,574	44,872	26,750
Investing activities			
Proceeds from asset disposition	160	—	—
Acquisitions, net of cash acquired	—	—	(5,162)
Sales and maturities of investments	—	—	2,591
Purchase of property and equipment	(4,597)	(7,590)	(7,235)
Net cash used in investing activities	(4,437)	(7,590)	(9,806)
Financing activities			
Proceeds from the exercise of common stock options	227	238	371
Repurchase of common stock (withholding taxes)	(9,312)	(7,362)	(7,392)
Repurchase of common stock (treasury shares)	(13,109)	—	—
Excess tax benefits from stock based compensation	—	—	177
Principal payments on capital lease obligations	(10,212)	(7,012)	(5,390)
Proceeds from financing arrangements	3,985	4,131	—
Principal payments on financing arrangements	(3,985)	(4,280)	—
Debt issuance costs	(479)	—	(69)
Net cash used in financing activities	(32,885)	(14,285)	(12,303)
Effect of exchange rate changes on cash	(1,221)	696	(306)
Net increase in cash and cash equivalents	6,031	23,693	4,335
Cash and cash equivalents at beginning of year	61,764	38,071	33,736
Cash and cash equivalents at end of year	$67,795	$61,764	$38,071
Supplemental cash flow disclosures			
Interest paid	$756	$775	$701

Net income tax paid	$1,332	$997	$2,027
Supplemental noncash investing and financing activities			
Capital lease obligations incurred	$19,381	$8,544	$5,411
Leasehold improvements acquired through lease incentives	$2,272	$1,282	$331
Accrued capital expenditures	$1,451	$930	$—
Patents acquired through issuance of common stock	$—	$—	$11,000
Stock issued in connection with business combination	$—	$—	$15,000

The accompanying notes are an integral part of these consolidated financial statements.

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COMSCORE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization
comScore, Inc. (the "Company"), a Delaware corporation incorporated in August 1999, provides digital media analytics that enables its customers to make well-informed, data-driven decisions to effectively manage their business, build successful digital strategies and tactics, and optimize their marketing and advertising investments. The Company is a technology-driven company that measures what people do as they navigate the digital world across multiple technology platforms including personal computers, smartphones, tablets, televisions and interact with digital media, including Web sites, apps, video programming and advertising. The Company aspires to measure all digital interactions across all major digital platforms, at scale, on a global basis.
The Company's products and services provide its customers with deep and actionable insight into consumer behavior including objective, detailed information about consumer usage of digital content and advertising coupled with information on consumer demographic characteristics, attitudes, lifestyles and offline behavior. The Company is skilled in combining proprietary Company data with its clients' own data, as well as data from partners, to provide uniquely valuable digital media analytics. We deliver on-demand and real-time products and services through a scalable Software-as-Service delivery model which supports both Company branded products and also partner products integrating the Company's data and services.

2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation
The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and accounts have been eliminated upon consolidation. The Company consolidates investments where it has a controlling financial interest. The usual condition for controlling financial interest is ownership of a majority of the voting interest and, therefore, as a general rule, ownership, directly or indirectly, of more than 50% of the outstanding voting shares is a condition indicating consolidation. For investments in variable interest entities, the Company would consolidate when it is determined to be the primary beneficiary of a variable interest entity. The Company does not have any variable interest entities.
Use of Estimates
The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expense during the reporting periods. Significant estimates and assumptions are inherent in the analysis and the measurement of deferred tax assets, the identification and quantification of income tax liabilities due to uncertain tax positions, valuation of marketable securities, recoverability of intangible assets, other long-lived assets and goodwill, accruals related to outstanding litigation, the collectability of accounts receivable and the determination of the allowance for doubtful accounts. The Company bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results could differ from those estimates.
Fair Value Measurements
The Company evaluates the fair value of certain assets and liabilities using the fair value hierarchy. Fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Company applies the three-tier value hierarchy which prioritizes the inputs used in measuring fair value as follows:
Level 1 — observable inputs such as quoted prices in active markets;

Level 2 — inputs other than the quoted prices in active markets that are observable either directly or indirectly;
Level 3 — unobservable inputs of which there is little or no market data, which require the Company to develop its own assumptions.
The Company does not currently have any assets or liabilities that are measured at fair value on a recurring basis. However, cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses,

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deferred revenue, deferred rent and capital lease obligations reported in the consolidated balance sheets equal or approximate their respective fair values.

Assets and liabilities that are measured at fair value on a non-recurring basis include fixed assets, intangible assets and goodwill. The Company recognizes these items at fair value when they are considered to be impaired. During the first quarter of 2013, certain intangible assets acquired were measured at fair value using significant unobservable inputs (Level 3) as described in Note 4. During the year ended December 31, 2013, the Company recorded these assets as follows:

		Fair Value Measurements Using			
	March 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Description	(In thousands)				
Long-lived assets held and used	$1,182			$1,182	$—

During the second quarter of 2012, certain intangible assets were measured at fair value using significant unobservable inputs (Level 3) as described in Note 5. During the year ended December 31, 2012, the Company recorded an impairment charge of $3.3 million pertaining to these assets as follows:

		Fair Value Measurements Using			
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
Description	(In thousands)				
Long-lived assets held and used	$2,500			$2,500	$(3,349)

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with an original maturity of three months or less at the time of purchase. Cash and cash equivalents consist primarily of bank deposit accounts.

Interest income on investments was $0.2 million, $0.1 million and $0.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and are non-interest bearing. The Company generally grants uncollateralized credit terms to its customers and maintains an allowance for doubtful accounts to reserve for potentially uncollectible receivables. Allowances are based on management’s judgment, which considers historical experience and specific knowledge of accounts where collectability may not be probable. The Company makes provisions based on historical bad debt experience, a specific review of all significant outstanding invoices and an assessment of general economic conditions. If the financial condition of a customer deteriorates, resulting in an impairment of its ability to make payments, additional allowances may be required. Included within accounts receivables are unbilled accounts receivable, which relate to situations in which the Company has recognized revenue prior to invoicing a customer, but for which we have the legal right to invoice the customer. Unbilled accounts receivables are invoiced in the following period.

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The following is a summary of activities in the allowance for doubtful accounts for the fiscal years indicated:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
Allowance for Doubtful Accounts			
Beginning Balance	$(1,117)	$(903)	$(725)
Additions	(1,248)	(1,429)	(220)
Reductions, (recoveries) and write-offs	698	1,215	42
Ending Balance	$(1,667)	$(1,117)	$(903)

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation. Property and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from three to five years. Assets under capital leases are recorded at their net present value at the inception of the lease and are included in the appropriate asset category. Assets under capital leases and leasehold improvements are amortized over the shorter of the related lease terms or their useful lives. Replacements and major improvements are capitalized; maintenance and repairs are charged to expense as incurred. Amortization of assets under capital leases is included within the expense category in which the asset is deployed.

Business Combinations

The Company recognizes all of the assets acquired, liabilities assumed, contractual contingencies, and contingent consideration at their fair value on the acquisition date. Acquisition-related costs are recognized separately from the acquisition and expensed as incurred. Generally, restructuring costs incurred in periods subsequent to the acquisition date are expensed when incurred. Subsequent changes to the purchase price (i.e., working capital adjustments) or other fair value adjustments determined during the measurement period are recorded as an adjustment to goodwill. All subsequent changes to an income tax valuation allowance or uncertain tax position that relate to the acquired company and existed at the acquisition date that occur both within the measurement period and as a result of facts and circumstances that existed at the acquisition date are recognized as an adjustment to goodwill. All other changes in income tax valuation allowances are recognized as a reduction or increase to income tax expense or as a direct adjustment to additional paid-in capital as required.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed when a business is acquired. The allocation of the purchase price to intangible assets and goodwill involves the extensive use of management’s estimates and assumptions, and the result of the allocation process can have a significant impact on future operating results. The allocation of the purchase price to intangible assets is done at fair value. The Company estimates the fair value of identifiable intangible assets acquired using various valuation methods, including the excess earnings and relief from royalty methods.

Intangible assets with finite lives are amortized over their useful lives while goodwill is not amortized but is evaluated for potential impairment at least annually by comparing the fair value of a reporting unit to its carrying value including goodwill recorded by the reporting unit. If the carrying value exceeds the fair value, impairment is measured by comparing the implied fair value of the goodwill to its carrying value, and any impairment determined is recorded in the current period. The Company has one reporting unit. Accordingly, on an annual basis the Company performs the impairment assessment for goodwill at the enterprise level. The Company completed its annual impairment analysis as of October 1st for each of the years ended December 31, 2013, 2012 and 2011 and determined that there was no impairment of goodwill.

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Intangible assets with finite lives are amortized using the straight-line method over the following useful lives:

	Useful Lives (Years)
Acquired methodologies/technology	3 to 10
Customer relationships	3 to 12
Panel	7
Intellectual property	7 to 13
Trade names	2 to 10

Impairment of Long-Lived Assets

The Company's long-lived assets primarily consist of property and equipment and intangible assets. The Company evaluates the recoverability of its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of such assets may not be recoverable. If an indication of impairment is present, the Company compares the estimated undiscounted future cash flows to be generated by the asset to its carrying amount. Recoverability measurement and estimation of undiscounted cash flows are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If the undiscounted future cash flows are less than the carrying amount of the asset group, the Company records an impairment loss equal to the excess of the asset group's carrying amount over its fair value. The fair value is determined based on valuation techniques such as a comparison to fair values of similar assets or using a discounted cash flow analysis. Although the Company believes that the carrying values of its long-lived assets are appropriately stated, changes in strategy or market conditions or significant technological developments could significantly impact these judgments and require adjustments to recorded asset balances. During the year ended December 31, 2012, the Company recorded an impairment charge of $3.3 million related to certain intangible assets as described in Note 6. There were no impairment charges recognized during the years ended December 31, 2013 or 2011.

Lease Accounting

The Company leases its facilities and accounts for those leases as operating leases. For facility leases that contain rent escalations or rent concession provisions, the Company records the total rent payable during the lease term on a straight-line basis over the term of the lease. The Company records the difference between the rent paid and the straight-line rent as a deferred rent liability. Leasehold improvements funded by landlord incentives or allowances are recorded as leasehold improvement assets and a deferred rent liability which is amortized as a reduction of rent expense over the term of the lease.

The Company records capital leases as an asset and an obligation at an amount equal to the present value of the minimum lease payments as determined at the beginning of the lease term. Amortization of capitalized leased assets is computed on a straight-line basis over the term of the lease and is included in depreciation and amortization expense.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the local currency. All assets and liabilities are translated at the current exchange rate as of the end of the period, and revenues and expenses are translated at average exchange rates in effect during the period. The gain or loss resulting from the process of translating foreign currency financial statements into U.S. dollars is reflected as foreign currency cumulative translation adjustment and reported as a component of Accumulated other comprehensive income.

The Company incurred foreign currency transaction losses of $0.1 million, $0.7 million, and $0.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. The losses are the result of transactions denominated in currencies other than the functional currency of the Company's foreign subsidiaries.

Operating Segment Information

The Company has concluded that it has one operating segment based on the fact that its Chief Executive Officer, who is also its chief operating decision maker, continues to evaluate performance and make operating decisions based on consolidated financial data. Additionally, there are no managers who are held accountable by the chief operating

decision maker, or anyone else, for an operating measure of profit or loss for any operating unit below the consolidated unit level.

Revenue Recognition

The Company recognizes revenues when the following fundamental criteria are met: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or the services have been rendered, (iii) the fee is fixed or determinable, and (iv) collection of the resulting receivable is reasonably assured.

The Company generates revenues by providing access to the Company's online database or delivering information obtained from the database, usually in the form of periodic reports. Revenues are typically recognized on a straight-line basis over the period in which access to data or reports is provided, which generally ranges from three to twenty-four months. Sales taxes remitted to government authorities are recorded on a net basis.

Revenues are also generated through survey services under contracts ranging in term from two months to 1 year. Survey services consist of survey and questionnaire design with subsequent data collection, analysis and reporting. At the outset of an arrangement, total arrangement consideration is allocated between the development of the survey questionnaire and subsequent data collection, analysis and reporting services based on relative selling price. Revenue allocated to the survey questionnaire is recognized when it is delivered and revenue allocated to the data collection, analysis and reporting services is recognized on a straight-line basis over the estimated data collection period once the survey or questionnaire design has been delivered. Any change in the estimated data collection period results in an adjustment to revenues recognized in future periods.

Certain of the Company's arrangements contain multiple elements, consisting of the various services the Company offers. Multiple element arrangements typically consist of either subscriptions to multiple online product solutions or a subscription to the Company's online database combined with customized services. The Company accounts for these arrangements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2009-13, Multiple Deliverable Revenue Arrangements, which requires the Company to allocate arrangement consideration at the inception of an arrangement to all deliverables, if they represent a separate unit of accounting, based on their relative selling prices. The guidance establishes a hierarchy to determine the selling price to be used for allocating arrangement consideration to deliverables: (i) vendor-specific objective evidence of fair value ("VSOE"), (ii) third-party evidence of selling price ("TPE") if VSOE is not available, or (iii) an estimated selling price ("ESP") if neither VSOE nor TPE are available. VSOE generally exists only when the Company sells the deliverable separately and is the price actually charged by the Company for that deliverable on a stand-alone basis. ESP reflects the Company's estimate of what the selling price of a deliverable would be if it was sold regularly on a stand-alone basis. The Company has concluded it does not have VSOE, for these types of arrangements, and TPE is generally not available because the Company's service offerings are highly differentiated and the Company is unable to obtain reliable information on the products and pricing practices of the Company's competitors. As such, ESP is used to allocate the total arrangement consideration at the arrangement inception based on each element's relative selling price. The Company's process for determining ESP involves management's judgments based on multiple factors that may vary depending upon the unique facts and circumstances related to each product suite and deliverable. The Company determines ESP by considering several external and internal factors including, but not limited to, current pricing practices, pricing concentrations (such as industry, channel, customer class or geography), internal costs and market penetration of a product or service. The total arrangement consideration is allocated to each of the elements based on the relative selling price. If the ESP is determined as a range of selling prices, the mid-point of the range is used in the relative-selling-price method. Once the total arrangement consideration has been allocated to each deliverable based on the relative allocation of the arrangement fee, the Company commences revenue recognition for each deliverable on a stand-alone basis as the data or service is delivered. ESP will be analyzed on an annual basis or more frequently if management deems it likely that changes in the estimated selling prices have occurred.

Generally, contracts are non-refundable and non-cancelable. In the event a portion of a contract is refundable, revenue recognition is delayed until the refund provisions lapse. A limited number of customers have the right to cancel their contracts by providing a written notice of cancellation. In the event that a customer cancels its contract, the customer is not entitled to a refund for prior services, and will be charged for costs incurred plus services performed up to the cancellation date.

Advance payments are recorded as deferred revenues until services are delivered or obligations are met and revenue can be recognized. Deferred revenues represent the excess of amounts invoiced over amounts recognized as revenues. Multiple contracts with a single counterparty that are negotiated simultaneously and are considered contemporaneous are accounted for as one arrangement. If there are multiple contracts with one counterparty that are deemed independent of one another, they are accounted for as separate arrangements.

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On July 1, 2010, the Company completed its acquisition of Nexius, resulting in additional revenue sources, including software licenses, professional services (including software customization, implementation, training and consulting services), and maintenance and technical support contracts. The Company's arrangements generally contain multiple elements, consisting of the various service offerings. The Company recognizes software license arrangements that include significant modification and customization of the software in accordance with FASB Accounting Standards Codification ("ASC") 985-605, Software Recognition, and ASC 605-35, Revenue Recognition-Construction-Type and Certain Production-Type Contracts, using either the percentage-of-completion or the completed-contract method. Under the percentage-of-completion method, the Company uses the input method to measure progress, which is based on the ratio of costs incurred to date to total estimated costs at completion. The percentage-of-completion method is used when reliable estimates of progress and completion under the contract can be made. Under the completed-contract method, billings and costs (to the extent they are recoverable) are accumulated on the balance sheet, but no profit or income is recorded before user acceptance of the software license. The completed-contract method is used when reliable estimates cannot be made or other terms under the contract require it. To the extent estimated costs are expected to exceed revenue, the Company accrues for costs immediately. The Company considers a contract to be completed when all performance obligations have been delivered and the customer provides formal acceptance in the form of a "User Acceptance Testing" certificate and the Company applies this policy on a consistent basis. Prior to March 31, 2011, the Company had not established VSOE of fair value for the multiple deliverables and therefore accounted for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue on a straight line basis over the service period of the last delivered element. During the quarter ended June 30, 2011 the Company established VSOE of fair value for post contract support ("PCS") services for a group of certain Nexius customers. The establishment of VSOE of fair value followed an alignment of the Company's pricing practices for these services. As a result of establishing VSOE, the Company, for the year ended December 31, 2011, recorded revenue and related costs of revenue of $2.4 million and $1.4 million, respectively, of which $0.9 million and $0.3 million, respectively, had been previously deferred. For the remainder of the Nexius customers, we currently do not have VSOE for the multiple deliverables and account for all elements in these arrangements as a single unit of accounting, recognizing the entire arrangement fee as revenue over the service period of the last delivered element.

The Company accounts for nonmonetary transactions under ASC 845, Nonmonetary Transactions. Nonmonetary transactions with commercial substance are recorded at the estimated fair value of assets surrendered including cash, if cash is less than 25% of the fair value of the overall exchange, unless the fair value of the assets received is more clearly evident, in which case the fair value of the asset received is used to estimate fair value for the exchange.

In the fourth quarter of 2013, the Company entered into an agreement to exchange certain data assets with a corporation. A member of the Company's Board of Directors also serves as a member of the Board of Directors of that corporation and therefore, we have considered the corporation to be a related party. The transaction was considered to have commercial substance under the guidance in ASC 845 and the Company estimated the fair value of the services delivered based on similar monetary transactions with third parties. No cash was exchanged in this transaction. The Company also considered the guidance in ASC 850, Related Party Disclosures.

During the year ended December 31, 2013 the Company recognized $3.2 million in revenue related to nonmonetary transactions of which $1.8 million is attributable to this related party transaction. Due to timing differences in the delivery and receipt of the respective nonmonetary assets exchanged, the expense recognized in each period is different from the amount of revenue recognized. As a result, during the year ended December 31, 2013, the Company recognized $1.8 million in expense related to nonmonetary transactions, though no expense was recognized for this related party transaction since data assets have not yet been received.

Costs of Revenues

Cost of revenues consists primarily of expenses related to the operating network infrastructure and the recruitment, maintenance and support of consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, benefits and related expenses of network operations, survey operations, custom analytics and technical support departments, and are expensed as they are incurred. Cost of revenues consists primarily of expenses related to

the operating network infrastructure and the recruitment, maintenance and support of consumer panels. Expenses associated with these areas include the salaries, stock-based compensation, benefits and related expenses of network operations, survey operations, custom analytics and technical support departments. Cost of revenues also includes data collection costs for the products and operational costs associated with the Company’s data centers, including depreciation expense associated with computer equipment that supports its panel and systems, and allocated overhead, which is comprised of rent and depreciation expense generated by general purpose equipment and software.

Deferred contract costs represents incremental direct costs paid to a third party and the internal costs of employees directly related to the delivery of an item that cannot be accounted for separately from the undelivered items for certain of the

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Company's significantly customized software sales or other long-term in nature projects. These costs are recognized as cost of revenues ratably over the same period that deferred revenue is recognized as revenues. The Company analyzes the recoverability of these costs each reporting period.

Selling and Marketing

Selling and marketing expenses consist primarily of salaries, stock-based compensation, benefits, commissions and bonuses paid to the direct sales force and industry analysts, as well as costs related to online and offline advertising, product management, seminars, promotional materials, public relations, other sales and marketing programs, and allocated overhead, including rent and other facilities related costs, and depreciation. All selling and marketing costs are expensed as they are incurred.

Research and Development

Research and development expenses include new product development costs, consisting primarily of salaries, stock-based compensation, benefits and related costs for personnel associated with research and development activities, and allocated overhead, including rent and other facilities related costs, and depreciation.

General and Administrative

General and administrative expenses consist primarily of salaries, stock-based compensation, benefits and related expenses for executive management, finance, accounting, human capital, legal, information technology and other administrative functions, as well as professional fees, overhead, including allocated rent and other facilities related costs, and depreciation and expenses incurred for other general corporate purposes.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash equivalents and accounts receivable. The Company maintains cash deposits with financial institutions that at times exceed applicable insurance limits. The Company reduces this risk by maintaining such deposits with high quality financial institutions that management believes are creditworthy. With respect to accounts receivable, credit risk is mitigated by the Company's ongoing credit evaluation of its customers' financial condition.

For the years ended December 31, 2013, 2012 and 2011, one customer, Microsoft Corporation, accounted for approximately 7%, 8% and 10%, respectively, of total revenues. As of December 31, 2013 and 2012, no one customer accounted for more than 10% of accounts receivable.

Advertising Costs

All advertising costs are expensed as incurred. Advertising expense includes costs associated with direct marketing but does not include the cost of attendance at events or trade shows. Advertising expense, which is included in sales and marketing expense, totaled $0.2 million, $0.1 million and $0.1 million for the years ended December 31, 2013, 2012 and 2011, respectively.

Stock-Based Compensation

The Company estimates the fair value of share-based awards on the date of grant. The fair value of stock options with only service conditions is determined using the Black-Scholes option-pricing model. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of the Company's common stock on the date of grant. The determination of the fair value of the Company's stock option awards and restricted stock awards is based on a variety of factors including, but not limited to, the Company's common stock price, expected stock price volatility over the expected life of awards, and actual and projected exercise behavior. Additionally, the Company has estimated forfeitures for share-based awards at the dates of grant based on historical experience, adjusted for future expectation. The forfeiture estimate is revised as necessary if actual forfeitures differ from these estimates.

The Company issues restricted stock awards where restrictions lapse upon the passage of time (service vesting), achieving performance targets, or some combination of these restrictions. For those restricted stock awards with only service conditions, the Company recognizes compensation cost on a straight-line basis over the explicit service period. For awards with both performance and service conditions, the Company starts recognizing compensation cost over the remaining service period, when it is probable the performance condition will be met. For stock awards that contain performance or market vesting

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conditions, the Company excludes these awards from diluted earnings per share computations until the contingency is met as of the end of that reporting period.

Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred income taxes are provided for temporary differences in recognizing certain income, expense and credit items for financial reporting purposes and tax reporting purposes. Such deferred income taxes primarily relate to the difference between the tax bases of assets and liabilities and their financial reporting amounts. Deferred tax assets and liabilities are measured by applying enacted statutory tax rates applicable to the future years in which deferred tax assets or liabilities are expected to be settled or realized. The Company records a valuation allowance when it determines, based on available positive and negative evidence, that it is more-likely-than-not that some portion or all of its deferred tax assets will not be realized. The Company determines the realizability of its deferred tax assets primarily based on the reversal of existing taxable temporary differences and projections of future taxable income (exclusive of reversing temporary differences and carryforwards). In evaluating such projections, the Company considers its history of profitability, the competitive environment, the overall outlook for the online marketing industry and general economic conditions. In addition, the Company considers the timeframe over which it would take to utilize the deferred tax assets prior to their expiration.

For certain tax positions, the Company uses a more-likely-than-not threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured at the largest amount of tax benefits determined on a cumulative probability basis, which are more-likely-than-not to be realized upon ultimate settlement in the financial statements. The Company’s policy is to recognize interest and penalties related to income tax matters in income tax expense.

Earnings Per Share

Basic net (loss) income per common share excludes dilution for potential common stock issuances and is computed by dividing net (loss) income by the weighted-average number of common shares outstanding for the period. Diluted net (loss) income per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options and warrants using the treasury stock method.

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net (loss) income per common share:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands, except share data)		
Calculation of basic and diluted net income per share:			
Net (loss) income	$(2,333)	$(11,789)	$(15,790)
Net (loss) income per common share:			
Basic	(0.07)	(0.35)	(0.49)
Diluted	(0.07)	(0.35)	(0.49)
Weighted-average shares outstanding-common stock, basic	34,443,126	33,244,798	32,289,877
Dilutive effect of			
Options to purchase common stock	—	—	—
Unvested restricted stock units	—	—	—
Warrants to purchase common stock	—	—	—
Weighted-average shares outstanding-common stock, diluted	34,443,126	33,244,798	32,289,877

The Company uses the two-class method for earning allocations between the Company's restricted stock awards, as they are a participating security, and the Company's common stock. The dilutive effect of stock options and restricted stock of 688,659, 1,547,077 and 627,147 were not included in the computation of diluted net (loss) income per common share for the years ended December 31, 2013, 2012 and 2011, respectively, as their effect would be

anti-dilutive.

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Recent Pronouncements

In July 2013, FASB issued Accounting Standards Update 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Exists. This update requires unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward, similar tax loss or tax credit carryforward in certain situations. This update was created due to the diversity in practice in presentation of unrecognized tax benefits in those instances. Some entities present unrecognized tax benefits as a liability unless the unrecognized tax benefit is directly associated with a tax position taken in a tax year that results in, or resulted in, the recognition of a net operating loss or tax credit carryforward for that year and the net operating loss or tax credit carryforward for that year has not been utilized. Other entities present unrecognized tax benefits as a reduction of a deferred tax asset for a net operating loss or tax credit carryforward in certain circumstances. The objective of this update is to eliminate this diversity in practice. The amendments in this update should be applied prospectively for reporting periods beginning after December 15, 2013. The Company does not believe that this standard will have a material impact on the Company's financial statements.

3. Business Combinations

The Company uses its best estimates and assumptions as a part of the purchase price allocation process to accurately value assets acquired and liabilities assumed at the business combination date, its estimates and assumptions are inherently uncertain and subject to refinement. As a result, during the preliminary purchase price allocation period, which may be up to one year from the business combination date, the Company records adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. The Company records adjustments to assets acquired or liabilities assumed subsequent to the purchase price allocation period in its operating results in the period in which the adjustments were determined. None of the goodwill is deductible for tax purposes.

For the years ended December 31, 2013 and December 31, 2012 there were no transaction related costs. For the year ended December 31, 2011, there were $0.7 million of transaction related costs included in general and administrative expenses.

AdXpose, Inc.

On August 11, 2011, the Company completed its acquisition of AdXpose, Inc. ("AdXpose"). AdXpose provides advertisers and publishers with greater transparency in the quality, safety, and performance of their digital advertising campaigns by allowing them to verify and optimize billions of campaign data points captured in real-time. The aggregate amount of the consideration paid by the Company upon the closing of the transaction was $19.4 million. Of the $19.4 million, $4.4 million was paid in cash and an aggregate of 982,285 shares of the Company's common stock with a fair value of $15.0 million on the acquisition date was issued to the AdXpose stockholders.

The acquisition of AdXpose resulted in goodwill of approximately $16.0 million, none of which is deductible for tax purposes. This amount represents the residual amount of the total purchase price after allocation to net assets and identifiable intangible assets acquired. The amount recorded as goodwill is consistent with the Company's intentions for the acquisition of AdXpose. The Company acquired AdXpose to enhance its capabilities in the marketplace for highly effective advertising campaign measurement.

Definite-lived intangible assets of $0.9 million consist of the value assigned to AdXpose's developed technology, customer relationships, and trade name of $0.7 million, $0.1 million and $0.1 million, respectively. These intangible assets have been assigned useful lives of five, three and 1.5 years, respectively.

The Company has included the financial results of AdXpose in its consolidated financial statements beginning August 11, 2011. Included in revenue for the period from August 11, 2011 to December 31, 2011 was $1.5 million related to AdXpose.

4. Asset Disposition

On March 18, 2013, the Company and its wholly-owned subsidiary RSC The Quality Measurement Company (also known as ARSgroup), sold certain assets related to its ARS Non-Health Copy-Testing and Equity Tracking business

to MSW.ARS LLC, a Delaware limited liability company ("Buyer").

In connection with the disposition, the Company received total proceeds of $1.0 million in cash. In addition, the Company entered into a license agreement in which it will retain the right to use the necessary intellectual property to continue to provide the ARS Copy-Testing and Equity Tracking services to its Health related customers and recorded an intangible asset of $1.2 million based on the estimated fair value of the licensed intellectual property. In determining the fair value of the intangible asset, the Company prepared a discounted cash flow (“DCF”) analysis. In preparing the DCF analysis, the Company used a combination of income approaches including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth

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rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis were based on the Company's most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows associated with the health related customers of ARS, as well as a royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. This intangible asset will be amortized on a straight-line basis over its estimated useful life of 3 years beginning April 1, 2013. The assets disposed of included computer equipment, furniture and fixtures, intellectual property and the intangible assets associated with the ARSgroup. Due to the fact that the Company will continue to provide the ARS Copy-Testing and Equity Tracking services to its Health related customers and has therefore not eliminated the operations and cash flows of the ARSgroup, management has concluded that the disposition does not qualify for presentation as discontinued operations.

As a result of the disposition, during the three months ended March 31, 2013, the Company recorded a gain on the Disposition of $0.2 million, determined as follows (in thousands):

Cash proceeds received at closing, net	$160
Proceeds receivable (placed in escrow)	750
Fair value of licensed intellectual property	1,182
	2,092
Carrying value of assets disposed	(1,436)
Goodwill allocated to disposition	(289)
Fair value of accelerated equity awards	(157)
Gain on disposition	$210

5. Property and Equipment

Property and equipment, including equipment under capital lease obligations, consists of the following:

	December 31, 2013	2012
	(In thousands)	
Computer equipment	$60,673	$39,570
Computer software	5,764	10,773
Office equipment and furniture	5,156	4,570
Automobiles	1,644	1,329
Leasehold improvements	15,785	14,119
Total, including capital leases of $43,776 and $25,786, respectively	89,022	70,361
Less: accumulated depreciation and amortization, including capital leases of $22,430 and $12,668, respectively	(51,027)	(38,943)
	$37,995	$31,418

During the years ended December 31, 2013 and 2012, the Company capitalized $2.3 million and $1.3 million, respectively, of leasehold improvements, furniture and fixtures and office equipment associated with landlord allowances received in connection with its Reston, New York and London office leases (see Note 8).

For the years ended December 31, 2013, 2012 and 2011, total depreciation expense was $16.8 million, $14.2 million and $13.4 million, respectively.

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6. Goodwill and Intangible Assets

The change in the carrying value of goodwill for the year ended December 31, 2013 is as follows (in thousands):

Balance as of December 31, 2012	$102,900
Goodwill allocated to ARS disposition	(289)
Translation adjustments	703
Balance as of December 31, 2013	$103,314

During the three months ended June 30, 2012, the Company noted a significant decline in revenues from ARSgroup ("ARS"), which the Company acquired in February 2010. As a result, the Company performed an impairment test of the long-lived assets of ARS. The long-lived assets of ARS consist of customer relationships and acquired methodologies and technology. The first step in testing the long-lived assets of ARS for impairment was to compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of ARS to the carrying value of ARS's long-lived assets. Based on this analysis, the Company determined as of June 30, 2012 that the sum of the expected undiscounted cash flows to be generated from ARS was less than the carrying value of the ARS intangible assets. As such, the Company concluded that the ARS intangible assets were impaired as of June 30, 2012. To measure the amount of the impairment, the Company then estimated the fair value of the intangible assets as of June 30, 2012. In determining the fair value of the intangible assets, the Company prepared a discounted cash flow ("DCF") analysis for each intangible asset. In preparing the DCF analysis, the Company used a combination of income approaches including the relief from royalty approach and the excess earnings approach. Determining fair value requires the exercise of significant judgment, including judgments about appropriate discount rates, terminal growth rates, royalty rates and the amount and timing of expected future cash flows. The cash flows employed in the DCF analysis were based on the Company's most recent budgets, forecasts and business plans as well as growth rate assumptions for years beyond the current business plan period. Significant assumptions used include a discount rate of 18.5%, which is based on an assessment of the risk inherent in the future revenue streams and cash flows of ARS, as well as a royalty rate of 3.0%, which is based on an analysis of royalty rates in similar, market transactions. Based on the DCF analysis, the Company estimated the fair value of the intangible assets of ARS to be $2.5 million as of June 30, 2012, which resulted in an impairment charge of $3.3 million during the year ended December 31, 2012. The impairment charge had a negative impact on net loss of $3.3 million and an impact on earnings per share of $0.10 per share during the year ended December 31, 2012. In addition, these intangible assets are being amortized over a remaining estimated useful life of eighteen months, beginning July 1, 2012. Other than the ARS impairment, there were no events or circumstances to indicate that the carrying amount of goodwill or intangible assets were not recoverable. Accordingly, no additional impairment charges have been recorded.

Certain of the Company's intangible assets are recorded in euros, British Pounds and the local currencies of our South American subsidiaries, and therefore, the gross carrying amount and accumulated amortization are subject to foreign currency translation adjustments. As discussed in Note 9, the Company acquired $11.0 million in patents during 2011.

The carrying values of the Company's amortized acquired intangible assets are as follows (in thousands):

	December 31, 2013			December 31, 2012		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Acquired methodologies/technology	$7,770	$(5,471)	$2,299	$8,412	$(4,372)	$4,040
Customer relationships	35,774	(15,346)	20,428	35,766	(11,230)	24,536
Panel	1,650	(1,316)	334	1,639	(1,073)	566
Intellectual property	13,576	(3,999)	9,577	13,571	(2,459)	11,112
Trade names	2,904	(2,604)	300	4,153	(3,648)	505

$61,674	$(28,736)	$32,938	$63,541	$(22,782)	$40,759

Amortization expense related to intangible assets was approximately $8.0 million, $9.3 million and $9.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

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The weighted average remaining amortization period by major asset class as of December 31, 2013, is as follows:

	(In years)
Acquired methodologies/technology	1.8
Customer relationships	6.0
Panel	1.4
Intellectual property	7.5
Trade names	1.5

The estimated future amortization of acquired intangible assets as of December 31, 2013 is as follows:

	(In thousands)
2014	$7,704
2015	6,689
2016	5,385
2017	4,316
2018	2,169
Thereafter	6,675
	$32,938

7. Accrued Expenses

Accrued expenses consist of the following:

	December 31, 2013	2012
	(In thousands)	
Payroll and related	$9,213	$5,556
Stock-based compensation	6,061	6,652
Cost of revenues	5,641	4,892
Income, sales and other taxes	4,716	2,733
Professional fees	3,066	1,333
Other	4,775	3,243
	$33,472	$24,409

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8. Long-term Debt and Other Financing Arrangement

Capital Leases

The Company has a lease financing arrangement with Banc of America Leasing & Capital, LLC in the amount of $10.0 million, of which the Company can utilize approximately $8.6 million as of December 31, 2013, for future capital leases. This arrangement allows the Company to lease new software, hardware and other computer equipment as it expands its technology infrastructure in support of its business growth. Under this arrangement, the Company may enter into new capital leases prior to April 30, 2014. Some of the amounts the Company has utilized to date under this arrangement have not lowered the amount available for future capital leases, because those amounts have been assigned by Banc of America Leasing & Capital, LLC under separate third-party arrangements. In addition, the Company enters into capital leases under non-committed arrangements, typically directly with equipment manufacturers. Future minimum payments under capital leases with initial terms of one year or more are as follows:

	(In thousands)
2014	$11,254
2015	9,133
2016	4,652
2017	58
2018	—
Total minimum lease payments	25,097
Less amount representing interest	(1,416)
Present value of net minimum lease payments	23,681
Less current portion	10,351
Capital lease obligations, long-term	$13,330

During the years ended December 31, 2013, 2012 and 2011, the Company acquired $14.4 million and $7.8 million, and $5.4 million respectively, in computer equipment through the issuance of capital leases. This non-cash investing activity has been excluded from the consolidated statement of cash flows.

Revolving Credit Facility

On September 26, 2013, the Company entered into a Credit Agreement (the “Credit Agreement”) with several banks (the "Lenders"). Bank of America, N.A. (“Bank of America”) is the administrative agent, and lead lender of this Revolving Credit Facility. The Credit Agreement provides for a five-year revolving credit facility of $100.0 million, which includes a $10.0 million sublimit for issuance of standby letters of credit, a $10 million sublimit for swing line loans and a $10.0 million sublimit for alternative currency lending. The maturity date of the Credit Agreement is September 26, 2018. The Credit Agreement also contains an expansion option permitting the Company to request an increase of the credit facility up to an aggregate additional $50 million, subject to certain conditions. Borrowings under the Revolving Credit Facility shall be used towards working capital and other general corporate purposes as well as for the issuance of letters of credit, and the repurchase of equity interests in the Company not to exceed $50 million during the five-year revolver term. Pursuant to the Credit Agreement, the obligations under the Revolving Credit Facility are secured by a security interest in substantially all of the Company’s cash and cash equivalents. Base rate loans and swing line loans will bear interest at the Base Rate plus the Applicable Rate, as such terms are defined in the Credit Agreement and summarized below. The Base Rate is the highest rate of the following: (a) the Federal Funds rate plus 0.50%, (b) the publicly announced Bank of America prime rate, and (c) the Eurocurrency rate, as defined in the Credit Agreement plus 1.0%. The Applicable Rate for base rate loans and swing line loans is 0.50% to 1.50% depending on the Company’s funded debt-to-EBITDA ratio at the end of each fiscal quarter. Amounts supporting letters of credit bear interest at the applicable rate for revolving loans. Each Eurocurrency rate loan will bear interest at the Eurocurrency Rate plus the Applicable Rate ranging from 1.50% to 2.50% depending on the Company's funded debt-to-EBITDA ratio at the end of each fiscal quarter. Beginning on September 26, 2013 through the maturity date of the five-year revolver term, the Company is obligated to pay a fee, payable quarterly in arrears, based on the average unused portion of the available amounts under the Credit Agreement at a rate of 0.20% to 0.35%

per annum depending on the Company’s funded debt-to-EBITDA ratio at the end of each fiscal quarter.
The Credit Agreement contains various usual and customary covenants, including, but not limited to: financial covenants requiring maximum funded debt-to-EBITDA ratio and cash flow-to-fixed charge ratios and covenants relating to the

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Company's ability to dispose of assets, make certain acquisitions, be acquired, incur indebtedness, grant liens and make certain investments. As of December 31, 2013 the Company was in full compliance with all covenants contained in the Credit Agreement and remains so as of the date of this report.

As of December 31, 2013, the Company did not have an outstanding balance under the Credit Agreement.

The Company maintains letters of credit in lieu of security deposits with respect to certain office leases as well as to satisfy performance guarantees under certain contracts. As of December 31, 2013, $4.0 million in letters of credit were outstanding, leaving $6.0 million available for additional letters of credit. These letters of credit may be reduced periodically provided the Company meets the conditional criteria of each related lease agreement.

9. Commitments and Contingencies

Leases

In addition to equipment financed through capital leases, the Company is obligated under various noncancelable operating leases for office facilities and equipment. These leases generally provide for renewal options and escalation increases. Future minimum payments under noncancelable lease agreements with initial terms of one year or more are as follows:

	(In thousands)
2014	$10,107
2015	10,079
2016	9,997
2017	9,766
2018	8,929
Thereafter	28,637
Total minimum lease payments	$77,515

Total rent expense, under non-cancellable operating leases, was $8.9 million, $8.4 million and $6.7 million for the years ended December 31, 2013, 2012 and 2011, respectively.

During the years ended December 31, 2013 and 2012, the Company recorded $2.3 million and $1.3 million, respectively, of deferred rent and capitalized assets as a result of landlord allowances in connection with its Reston, New York and London office leases. The deferred rent will be applied to rent expense recognized by the Company over the lease terms.

Contingencies

On December 20, 2011, the Company entered into a Patent Purchase, License and Settlement Agreement (the "Patent Purchase Agreement") with Nielsen and NetRatings in order to resolve the Litigation. In connection with the Patent Purchase Agreement, the Company and Nielsen entered into a Purchase Agreement (the "Stock Purchase Agreement") and a Voting Agreement (the "Voting Agreement", and together with the Patent Purchase Agreement and the Stock Purchase Agreement, the "Settlement Documents"). Pursuant to the Settlement Documents, and subject to retained rights by Nielsen, the Company acquired ownership of the four Nielsen families of patents asserted in litigation. The Company also granted Nielsen worldwide licenses for the families of the four patents the Company asserted in litigation. Both parties agreed not to bring any patent action against the other for the next three years. In addition, the Company issued Nielsen 974,358 shares of the Company's common stock, subject to certain restrictions.

The Company performed a valuation analysis to determine the fair value of the various elements included within the Settlement Documents. The Company determined the fair value of the consideration given to Nielsen in the form of restricted common stock to be $16.2 million. The fair value of the restricted common stock was determined by factoring in an appropriate discount to the current market price associated with the one year holding period that was placed on the common stock. The discount associated with this lack of marketability was estimated based on the cost to hedge the issued shares with a put option. The put option was valued using the Black-Scholes Option Pricing Model. The Company then determined the fair value of the acquired patents and the litigation settlement to be $26.0 million and $12.2 million, respectively, using the relief from royalty method, which is an income approach, to

determine the present value of expected future cash flows and cash flows during the period of claimed patent infringement.

The fair value of the elements in the arrangement exceeded the fair value of the consideration paid. As such, the Company allocated the consideration paid to the elements based on relative fair value, resulting in $11.0 million allocated to the

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acquired patents and $5.2 million allocated to the litigation settlement. The $11.0 million allocated to the acquired patents will be amortized over the remaining legal life of the various patents acquired, with approximately 50% of the value being amortized through July 2018 and the other 50% being amortized through September 2024.
In June 2013 the Company settled certain patent litigation lawsuits that we initiated against certain third-parties. The Company recognized a net gain of $1.4 million during 2013 related to these settlements.
On August 23, 2011, the Company received notice that Mike Harris and Jeff Dunstan, individually and on behalf of a class of similarly situated individuals, filed a lawsuit against the Company in the United States District Court for the Northern District of Illinois, Eastern Division, alleging, among other things, violations by the Company of the Stored Communications Act, the Electronic Communications Privacy Act, Computer Fraud and Abuse Act and the Illinois Consumer Fraud and Deceptive Practices Act as well as unjust enrichment. The complaint seeks unspecified damages, including statutory damages per violation and punitive damages, injunctive relief and reasonable attorneys' fees of the plaintiffs. In October 2012, the plaintiffs filed an amended complaint which, among other things, removed the claim relating to alleged violations of the Illinois Consumer Fraud and Deceptive Practices Act. The court has certified a class, with trial expected in the second quarter of 2014. It is not possible for the Company to estimate a potential range of loss at this time.
From time to time, the Company is exposed to unasserted potential claims encountered in the normal course of business. Although the outcome of any legal proceeding cannot be predicted with certainty, management believes that the final outcome and resolution of current matters, if any will not materially affect the Company’s consolidated financial position or results of operations.

10. Income Taxes

The components of (loss) income before income tax for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013		2012		2011	
	(In thousands)					
Domestic	$1,943		$(6,350	)	$(10,106	)
Foreign	150		(3,065	)	(8,658	)
Total	$2,093		$(9,415	)	$(18,764	)

Income tax (benefit) provision is comprised of the following:

	Year Ended December 31, 2013		2012		2011	
	(In thousands)					
Current:						
Federal	$152		$(70	)	$140	
State	373		114		182	
Foreign	1,520		1,434		1,060	
Total	2,045		1,478		1,382	
Deferred:						
Federal	3,518		1,278		(3,492	)
State	392		(635	)	(832	)
Foreign	(1,529	)	253		(32	)
Total	2,381		896		(4,356	)
Income tax (benefit) provision	$4,426		$2,374		$(2,974	)

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A reconciliation of the statutory United States income tax rate to the effective income tax rate is as follows:

	Year Ended December 31,		
	2013	2012	2011
Statutory federal tax rate	35.0 %	35.0 %	35.0 %
State taxes, net of federal benefit	23.8	3.6	2.3
Nondeductible items	56.9	(15.5)	(5.7)
Foreign rate differences	96.5	(2.9)	(5.4)
Change in statutory tax rates	4.3	(0.9)	(0.6)
Change in valuation allowance	(144.8)	(10.6)	(8.9)
Stock compensation shortfalls	41.2	(4.3)	—
True-ups and other adjustments	(5.7)	(0.4)	0.1
Subpart F income recapture	96.3	—	—
Market-based stock awards	—	(27.8)	—
Foreign tax withholding	4.3	(0.8)	(0.6)
Uncertain tax positions	3.7	(0.6)	(0.3)
Effective tax rate	211.5 %	(25.2)%	15.9 %

The Company recognized income tax expense of approximately $4.4 million during the year ended December 31, 2013, which is comprised of current tax expense of $0.5 million related to federal alternative minimum tax and state income tax liabilities, $1.5 million of foreign income tax expense, and deferred tax expense of approximately $2.4 million related to temporary differences between the tax treatment and financial reporting treatment for certain items. Included within the total deferred tax expense of $2.4 million is $2.3 million of deferred tax expense related to the establishment of a deferred tax liability for Subpart F income that will be recognized in a future tax year and $2.9 million of deferred tax benefit related to the release of valuation allowances in certain foreign jurisdictions, which have a statutory rate of approximately 20%.

The Company recognized income tax expense of approximately $2.4 million during the year ended December 31, 2012, which is comprised of current tax expense of $0.1 million related to federal alternative minimum tax and state income tax liabilities, $1.4 million of foreign income tax expense, and deferred tax expense of approximately $0.9 million related to temporary differences between the tax treatment and financial reporting treatment for certain items. Included within the total deferred tax expense of $0.9 million is $2.6 million of deferred tax expense associated with the write-off of a deferred tax asset related to certain market-based stock awards that will never be realized due to the expiration of the stock awards prior to vesting.

The Company recognized an income tax benefit of approximately $3.0 million during the year ended December 31, 2011, which is comprised of current tax expense of $0.3 million related to federal alternative minimum tax and state income tax liabilities, $1.1 million of foreign income tax expense, and a deferred tax benefit of approximately $4.4 million related primarily to differences between the tax treatment and financial reporting treatment for certain items, most notably the Nielsen transaction.

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting purposes. Significant components of the Company's net deferred income taxes are as follows:

	December 31, 2013	2012
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$6,658	$13,352
Capital loss carryforwards	778	769
Tax credits	1,817	1,671
Allowance for doubtful accounts	506	722
Accrued salaries and benefits	724	256
Deferred revenues	922	717
Capital leases	8,955	4,853
Deferred compensation	7,170	6,082
Deferred rent	4,937	4,210
Other	1,018	707
Gross deferred tax assets	33,485	33,339
Valuation allowance	(1,197)	(4,045)
Net deferred tax assets	32,288	29,294
Deferred tax liabilities:		
Intangible assets	(752)	(1,535)
Property and equipment	(9,387)	(5,577)
Subpart F income recapture	(2,310)	—
Prepaid maintenance	(317)	(156)
Other	(81)	(168)
Total deferred tax liabilities	(12,847)	(7,436)
Net deferred tax asset	$19,441	$21,858

As of December 31, 2013 and 2012, the Company had valuation allowances of $1.2 million and $4.0 million, respectively, against certain deferred tax assets. The valuation allowance as of December 31, 2013 relates to the deferred tax assets of certain foreign subsidiaries (primarily net operating loss carryforwards) that are either loss companies or are in their start-up phases, the U.S. capital loss carryforwards and certain state net operating loss carryforwards. To the extent the Company determines that, based on the weight of available evidence, all or a portion of its valuation allowance is no longer necessary, the Company will recognize an income tax benefit in the period such determination is made for the reversal of the valuation allowance. If management determines that, based on the weight of available evidence, it is more-likely-than-not that all or a portion of the net deferred tax assets will not be realized, the Company may recognize income tax expense in the period such determination is made to increase the valuation allowance. It is possible that any such reduction of or addition to the Company's valuation allowance may have a material impact on the Company's results from operations.

As of December 31, 2013, the Company concluded that it was not more-likely-than-not that a portion of our deferred tax assets related to certain state and foreign net operating losses would be realized and that an increase to the valuation allowance of $0.1 million was necessary. The Company also concluded that it was more-likely-than-not that a substantial portion of our deferred tax assets in certain other foreign jurisdictions, primarily the Netherlands, would be realized and determined that it was appropriate to release valuation allowances of $2.9 million. In making that determination, the Company considered the income generated in these foreign jurisdictions during 2013, the guaranteed profit margins in place for these entities as a result of the Company's transfer pricing model, the tax impact

of the restructuring that is currently being implemented, the current overall economic environment, and the projected income of these entities in future years. In addition, during 2013, the Company wrote-off certain deferred tax assets related to net operating losses that will never be realized. As these deferred tax assets had a full valuation allowance recorded against them, the associated valuation allowance of $0.1 million was released.

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As of December 31, 2012, the Company concluded that it was not more-likely-than-not that a substantial portion of its deferred tax assets related to certain state net operating losses would be realized and determined that it was appropriate to establish a valuation allowance of $0.3 million against its state deferred tax assets. The Company also concluded that it was not more-likely-than-not that a substantial portion of its deferred tax assets in certain other foreign jurisdictions, primarily the Netherlands, would be realized and that an increase to the valuation allowance of $1.2 million was necessary. In making that determination, the Company considered the losses incurred in these foreign jurisdictions during 2012, the current overall economic environment, and the uncertainty regarding the profitability of certain foreign operations currently in start-up phase. In addition, during 2012, the Company wrote-off certain deferred tax assets related to net operating losses that will never be realized. As these deferred tax assets had a full valuation allowance recorded against them, the associated valuation allowance of $0.2 million was released.
The following is a summary of activities in the deferred tax asset valuation allowance for the fiscal years indicated:

	December 31, 2013	2012
	(In thousands)	
Deferred Tax Valuation Allowance		
Beginning Balance	$(4,045)	$(2,741)
Additions	(132)	(1,511)
Reductions	2,980	207
Ending Balance	$(1,197)	$(4,045)

As of December 31, 2013, the Company had federal and state net operating loss carryforwards for tax purposes of approximately $37.2 million and $38.3 million, respectively. As of December 31, 2012, the Company had federal and state net operating loss carryforwards for tax purposes of approximately $46.8 million and $43.1 million, respectively. These net operating loss carryforwards begin to expire in 2022 for federal income tax purposes and begin to expire in 2014 for state income tax purposes. At December 31, 2013, the Company had an aggregate net operating loss carryforward for tax purposes related to its foreign subsidiaries of $20.8 million, which begins to expire in 2017. In addition, at December 31, 2013, the Company had alternative minimum tax credit carryforwards of $1.5 million which can be carried forward indefinitely and research & development credit carryforwards of $0.7 million which begin to expire in 2025.
The exercise of certain stock options and the vesting of certain restricted stock awards during the years ended December 31, 2013 and 2012 generated income tax deductions equal to the excess of the fair market value over the exercise price or grant date fair value, as applicable. The Company will not recognize a deferred tax asset with respect to the excess of tax over book stock compensation deductions until the tax deductions actually reduce current taxes payable. As such, the Company has not recorded a deferred tax asset in the accompanying financial statements related to the additional net operating losses generated from the windfall tax deductions associated with the exercise of these stock options and the vesting of the restricted stock awards. If and when the Company utilizes these net operating losses to reduce income taxes payable, the tax benefit will be recorded as an increase in additional paid-in capital. As of December 31, 2013 and December 31, 2012, the cumulative amounts of net operating losses relating to such option exercises and vesting events that have been included in the gross net operating loss carryforwards above are $32.5 million and $28.9 million, respectively. During the years ended December 31, 2013 and 2012, the Company recognized windfall tax benefits of approximately $0.1 million, related to certain state and foreign tax jurisdictions, which were recorded as an increase to additional paid-in capital.
During the years ended December 31, 2013 and 2012, certain stock options were exercised and certain shares related to restricted stock awards vested at times when the Company's stock price was substantially lower than the fair value of those shares at the time of grant. As a result, the income tax deduction related to such shares is less than the expense previously recognized for book purposes. Such shortfalls reduce additional paid-in capital to the extent relevant windfall tax benefits have been previously recognized. As described above, the Company recognized a portion of the windfall tax benefits in 2013 and recorded an increase to additional paid-in capital. Therefore, $0.1

million of shortfalls has not been included in income tax expense but has reduced additional paid-in capital for the year ended December 31, 2013. The remaining impact of the shortfalls totaling $0.9 million has been included in income tax expense. As of December 31, 2012, the Company recognized a portion of the windfall tax benefits and recorded an increase to additional paid-in capital. Therefore, the impact of the shortfalls totaling $0.2 million was not included in income tax expense but reduced additional paid-in capital for the year ended December 31, 2012. Looking forward the Company cannot predict the stock compensation shortfall impact because of dependency upon future market price performance of our stock.

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Under the provisions of Internal Revenue Code Section 382, certain substantial changes in the Company's ownership may result in a limitation on the amount of U.S. net operating loss carryforwards that could be utilized annually to offset future taxable income and taxes payable. A portion of the Company's net operating loss carryforwards are subject to an annual limitation under Section 382 of the Internal Revenue Code. We do not expect that this limitation will impact our ability to utilize all of our net operating losses prior to their expiration. Additionally, despite the net operating loss carryforwards, the Company may have a future tax liability due to alternative minimum tax, foreign tax or state tax requirements.

The Company intends to indefinitely reinvest the undistributed earnings from its foreign subsidiaries. As of December 31, 2013, the Company has not recorded U.S. income tax expense related to undistributed foreign earnings of approximately $6.5 million.

For uncertain tax positions, the Company uses a more-likely-than-not recognition threshold based on the technical merits of the tax position taken. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefits determined on a cumulative probability basis, which are more-likely-than-not to be realized upon ultimate settlement in the financial statements. As a result, the Company has unrecognized tax benefits, which are tax benefits related to uncertain tax positions which have been or will be reflected in income tax filings that have not been recognized in the financial statements due to potential adjustments by taxing authorities in the applicable jurisdictions. As of December 31, 2013, 2012 and 2011, the Company had unrecognized tax benefits of $1.4 million all of which would affect the Company's tax rate if recognized. The Company anticipates that approximately $0.1 million of unrecognized tax benefits will reverse during the next year due to the filing of related tax returns and the expiration of statutes of limitation. The changes in the liability for unrecognized income tax benefits as of December 31, 2013, 2012 and 2011 resulted from the following:

	December 31, 2013	2012	2011
	(In thousands)		
Unrecognized tax benefits beginning balance	$1,418	$1,386	$2,376
Increase related to tax positions of prior years	36	69	1
Increase related to acquired tax positions recorded through purchase accounting	—	—	1
Increase related to tax positions of the current year	45	4	17
Decrease related to tax positions of prior years	(21)	(27)	(959)
Decrease due to settlements	(4)	—	(42)
Decrease due to lapse in statutes of limitations	(31)	(14)	(8)
Unrecognized tax benefits ending balance	$1,443	$1,418	$1,386

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2013 and 2012, the amount of accrued interest and penalties on unrecognized tax benefits was $0.7 million. The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction, and various states and foreign jurisdictions. For income tax returns filed by the Company, the Company is no longer subject to U.S. federal examinations by tax authorities for years before 2010 or state and local tax examinations by tax authorities for years before 2009, although tax attribute carryforwards generated prior to these years may still be adjusted upon examination by tax authorities.

11. Stockholders' Equity

1999 Stock Option Plan and 2007 Equity Incentive Plan

Prior to the effective date of the registration statement for the Company's initial public offering ("IPO") on June 26, 2007, eligible employees and non-employees were awarded options to purchase shares of the Company's common stock, restricted stock or restricted stock units pursuant to the Company's 1999 Stock Plan (the "1999 Plan"). Upon the effective date of the registration statement of the Company's IPO, the Company ceased using the 1999 Plan for the

issuance of new equity awards. Upon the closing of the Company's IPO on July 2, 2007, the Company established its 2007 Equity Incentive Plan, as amended (the "2007 Plan" and together with the 1999 Plan, the "Plans"). The 1999 Plan will continue to govern the terms and conditions of outstanding awards granted thereunder, but no further shares are authorized for new awards under the 1999 Plan. As of December 31, 2013 and December 31, 2012, the Plans provided for the issuance of a maximum of approximately 9.9 million shares and 8.5 million shares, respectively, of common stock. In addition, the 2007 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year beginning with the 2008 fiscal year, equal to the lesser of: (i) 4% of the outstanding shares of the Company's common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as the Company's board of directors may determine. The vesting period of options granted under the Plans is determined by the Board of Directors, although, for service-based options

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the vesting has historically been generally ratably over a four-year period. Options generally expire 10 years from the date of the grant. Effective January 1, 2013, the shares available for grant increased by 1,427,177 pursuant to the automatic share reserve increase provision under the Plans. Accordingly, as of December 31, 2013, a total of 3,066,148 shares were available for future grant under the 2007 Plan.
The Company determines the fair value of stock option awards using the Black-Scholes option-pricing formula and a single option award approach. The fair value of market-based stock options and restricted stock units is determined using a Monte Carlo simulation embedded in a lattice model. The fair value of restricted stock awards is based on the closing price of our common stock on the date of grant. The Company then amortizes the fair value of awards expected to vest on a ratable straight-line basis over the requisite service periods of the awards, which is generally the period from the grant date to the end of the vesting period.
A summary of the Plans is presented below:

	Number of Shares	Weighted-Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding at December 31, 2012	90,552	$4.38	2.99	$851
Options granted	—	$—	—	—
Options exercised	(52,063)	$4.37	—	$1,028
Options forfeited	—	$—	—	—
Options expired	(255)	$9.73	—	—
Options outstanding and exercisable at December 31, 2013	38,234	$4.37	2.09	$927

During the three months ended March 31, 2012, the Company granted 210,000 time-based restricted stock awards to the Company's Chief Executive Officer that vest ratably over three years and 380,000 time-based restricted stock awards to members of executive management that vest ratably over four years. In addition, the Company granted its Chief Executive Officer 580,000 shares of the Company's common stock in the form of restricted stock and restricted stock units (the “Performance Award”). The Performance Award represents the maximum number of shares that can vest over a three year period. The Performance Awards vested and will vest based on achievement of revenue and adjusted EBITDA goals during 2012, 2013 and 2014, with the revenue and adjusted EBITDA milestones each carrying a 50% weight. Assuming achievement of 100% of the target performance metrics in each case over a three-year period, the Chief Executive Officer would be eligible to vest in 290,000 total shares, and in any given year 96,666 shares. Assuming achievement of 200% of the target performance metrics in each case over a three-year period, the maximum number permitted under the arrangement, the Chief Executive Officer would be eligible to vest in 580,000 total shares, and in any given year, 193,334 shares. During the year ended December 31, 2013, no stock options were granted.

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A summary of the Plans is presented below:

	Number of shares	Weighted-Average Exercise Price
Options outstanding December 31, 2010	1,713,165	$11.68
Options granted	—	—
Options exercised	(203,894)	1.82
Options forfeited	(82)	9.29
Options expired	(1,670)	5.91
Options outstanding December 31, 2011	1,507,519	13.02
Options granted	—	—
Options exercised	(367,234)	0.65
Options forfeited	(1,048,478)	18.12
Options expired	(1,255)	2.79
Options outstanding December 31, 2012	90,552	4.38
Options granted	—	—
Options exercised	(52,063)	4.37
Options forfeited	—	—
Options expired	(255)	9.73
Options outstanding and exercisable at December 31, 2013	38,234	$4.37

The following table summarizes information about options outstanding at December 31, 2013:

	Options Outstanding and Exercisable		
Range of Exercise Prices	Options Outstanding and Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)
$0.25 - $4.25	16,482	$2.70	1.63
$4.26 - $7.50	17,248	$4.74	2.14
$7.51 - $13.66	4,504	$9.05	3.57
	38,234	$4.37	2.09

The intrinsic value of exercised stock options is calculated based on the difference between the exercise price and the quoted market price of our common stock as of the close of the exercise date. The aggregate intrinsic value of options exercised for the years ended December 31, 2013, 2012 and 2011 was $1.0 million, $5.0 million and $3.6 million, respectively. The aggregate intrinsic value for all options outstanding and exercisable under the Company's stock plans as of December 31, 2013 was $0.9 million. The weighted average remaining contractual life for all options outstanding and exercisable under the Company's stock plans as of December 31, 2013 was 2.09 years. As of December 31, 2013, there is no unrecognized compensation expense related to non-vested stock options granted prior to that date.

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Our nonvested stock awards are comprised of restricted stock and restricted stock units. The restricted stock only represents participating securities. The Company has a right of repurchase on such shares that lapse at a rate of twenty-five percent (25)% of the total shares awarded at each successive anniversary of the initial award date, provided that the employee continues to provide services to the Company. In the event that an employee terminates their employment with the Company, any shares that remain unvested and consequently subject to the right of repurchase shall be automatically reacquired by the Company at the original cash purchase price paid by the employee, if any. During the year ended December 31, 2013, 206,360 shares of restricted stock were forfeited and were subsequently retired. A summary of the status for nonvested stock awards as of December 31, 2013 is presented as follows:

Nonvested Stock Awards	Restricted Stock	Restricted Stock Units	Number of Shares Underlying Awards	Weighted Average Grant-Date Fair Value
Nonvested at December 31, 2010	1,591,522	405,071	1,996,593	$15.43
Granted	681,674	243,983	925,657	25.39
Vested	(751,873)	(116,863)	(868,736)	16.01
Forfeited	(135,903)	(113,097)	(249,000)	19.02
Nonvested at December 31, 2011	1,385,420	419,094	1,804,514	$19.75
Granted	1,706,900	445,368	2,152,268	20.84
Vested	(888,707)	(168,215)	(1,056,922)	18.81
Forfeited	(233,903)	(229,423)	(463,326)	21.34
Nonvested at December 31, 2012	1,969,710	466,824	2,436,534	$20.82
Granted	484,052	1,025,065	1,509,117	19.95
Vested	(1,196,792)	(200,651)	(1,397,443)	17.91
Forfeited	(206,360)	(156,312)	(362,672)	20.71
Nonvested at December 31, 2013	1,050,610	1,134,926	2,185,536	$22.10

The aggregate intrinsic value for all non-vested shares of restricted common stock and restricted stock units outstanding as of December 31, 2013 was $62.5 million. The weighted average remaining contractual life for all non-vested shares of restricted common stock and restricted stock units as of December 31, 2013 was 1.10 years. We granted nonvested stock awards at no cost to recipients during the years ended December 31, 2013, 2012 and 2011. As of December 31, 2013, total unrecognized compensation expense related to non-vested restricted stock and restricted stock units was $27.1 million, which the Company expects to recognize over a weighted average period of approximately 1.18 years. Total unrecognized compensation expense may be increased or decreased in future periods for subsequent grants or forfeitures.

Of the 1,397,443 shares of the Company’s restricted stock and restricted stock units vesting during the year ended December 31, 2013, the Company repurchased 510,328 shares at an aggregate purchase price of approximately $9.3 million pursuant to the stockholder’s right under the Plans to elect to use common stock to satisfy tax withholding obligations. The repurchased shares were subsequently retired.

Common Stock Warrants

As of December 31, 2011, a warrant to purchase 24,375 shares of common stock was outstanding. During the quarter ended June 30, 2012, this warrant was completely exercised on a net basis. As a result, the Company issued 19,895 shares of common stock and received no cash upon the exercise of the warrant.

Shares Reserved for Issuance

At December 31, 2013, the Company had reserved for future issuance the following shares of common stock upon the exercise of options and warrants:

Common stock available for future issuances under the Plans	3,066,148
Common stock reserved for outstanding options and restricted stock units	1,173,160
	4,239,308

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Unregistered Sales of Equity Securities
On December 20, 2011, in connection with the execution of the Settlement Documents, as more fully described in footnote 9, the Company issued a total of 974,358 unregistered shares of comScore common stock as consideration. On August 11, 2011, in connection with its purchase of all the outstanding capital stock of AdXpose, the Company issued a total of 982,285 unregistered shares of comScore common stock as consideration for such acquisition.

12. Share Repurchases

On June 3, 2013 the Company announced that its board of directors had approved the repurchase of up to $50 million of the Company's common stock. Such repurchases may be made from time to time subject to pre-determined price and volume guidelines established by the Company's board of directors.

As part of the share repurchase program, shares may be purchased in open market transactions or pursuant to any trading plan that may be adopted in accordance with Rule 10b5-1 of the Exchange Act. The timing, manner, price and amount of any repurchases will be determined at the Company's discretion, and the share repurchase program may be suspended, terminated or modified at any time for any reason. Shares repurchased are classified as Treasury Stock and presented as a deduction from Stockholders' Equity. Cash paid for share repurchases during 2013, under the announced share repurchase program, was as follows:

(Amounts in millions, except share and per share data)	
Total number of shares repurchased	483,437
Average price paid per share	$27.12
Total share repurchases	$13.1

13. Employee Benefit Plans
The Company has a 401(k) Plan for the benefit of all U.S. employees who meet certain eligibility requirements. This plan covers substantially all of the Company’s full-time U.S. employees. The Company made approximately $0.5 million, $0.5 million and $0.4 million in contributions to the 401(k) Plan for the years ended December 31, 2013, 2012 and 2011, respectively.

14. Geographic Information
The Company attributes revenues to customers based on the location of the customer. The composition of the Company’s sales to unaffiliated customers between those in the United States and those in other locations for each year is set forth below:

	Year Ended December 31,		
	2013	2012	2011
	(In thousands)		
United States	$202,743	$183,380	$172,311
Europe	49,480	43,456	35,797
Canada	12,655	11,625	9,859
Other	21,982	16,732	14,425
Total Revenues	$286,860	$255,193	$232,392

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The composition of the Company's property and equipment between those in the United States and those in other countries as of the end of each year is set forth below:

	December 31, 2013	2012
	(In thousands)	
United States	$32,370	$24,810
Europe	4,655	5,477
Canada	256	291
Other	714	840
Total	$37,995	$31,418

15. Quarterly Financial Information (Unaudited)

	2013 First	Second	Third	Fourth
	(In thousands, except share and per share data)			
Revenues	$68,848	$69,911	$71,606	$76,495
Cost of revenues (1)	22,554	21,610	21,603	24,196
Selling and marketing (1)	24,458	25,491	24,255	25,743
Research and development (1)	10,223	9,803	10,441	10,558
General and administrative (1)	9,012	11,238	12,492	13,707
Amortization of intangible assets	2,151	1,936	1,956	1,914
Gain on asset disposition	(210)	—	(4)	—
Settlement of litigation	—	(1,160)	—	(200)
Total expenses from operations	68,188	68,918	70,743	75,918
Income from operations	660	993	863	577
Interest and other (expense) income, net	(164)	(168)	(238)	(368)
Gain (loss) from foreign currency transactions	(340)	93	82	103
Income before income taxes	156	918	707	312
Provision for income taxes	(2,179)	(1,316)	(789)	(142)
Net income (loss)	$(2,023)	$(398)	$(82)	$170
Net loss available to common stockholders per common share:				
Basic	$(0.06)	$(0.01)	$—	$—
Diluted	$(0.06)	$(0.01)	$—	$—
Weighted-average number of shares used in per share calculations:				
Basic	34,113,786	34,414,301	34,502,456	35,487,041
Diluted	34,113,786	34,414,301	34,502,456	35,770,458

(1) Amortization of stock-based compensation is included in the line items above as follows

	First	Second	Third	Fourth
Cost of revenues	$716	$832	$887	$911
Selling and marketing	2,813	3,219	2,487	2,543
Research and development	614	602	947	858
General and administrative	856	2,493	2,922	3,335

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	2012			
	First	Second	Third	Fourth
	(In thousands, except share and per share data)			
Revenues	$62,275	$60,291	$64,273	$68,354
Cost of revenues (1)	20,401	20,371	21,933	23,674
Selling and marketing (1)	21,345	22,235	22,928	25,341
Research and development (1)	8,036	8,267	8,963	8,728
General and administrative (1)	9,106	9,725	9,400	9,903
Amortization of intangible assets	2,320	2,302	2,385	2,282
Impairment of intangible assets	—	3,349	—	—
Total expenses from operations	61,208	66,249	65,609	69,928
Income (loss) from operations	1,067	(5,958)	(1,336)	(1,574)
Interest and other (expense) income, net	(198)	(169)	(174)	(329)
Gain (loss) from foreign currency transactions	(263)	(304)	(205)	28
Income (loss) before income taxes	606	(6,431)	(1,715)	(1,875)
Benefit (provision) for income taxes	(1,077)	(156)	(1,403)	262
Net loss	$(471)	$(6,587)	$(3,118)	$(1,613)
Net loss available to common stockholders per common share:				
Basic	$(0.01)	$(0.20)	$(0.09)	$(0.05)
Diluted	$(0.01)	$(0.20)	$(0.09)	$(0.05)
Weighted-average number of shares used in per share calculations:				
Basic	32,889,119	33,189,994	33,470,628	33,705,129
Diluted	32,889,119	33,189,994	33,470,628	33,705,129

(1) Amortization of stock-based compensation is included in the line items above as follows

Cost of revenues	$551	$653	$636	$641
Selling and marketing	2,183	3,001	3,113	3,986
Research and development	405	485	504	525
General and administrative	1,951	2,200	1,911	2,151

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and our Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Securities Exchange Act of 1934 (the "Exchange Act") Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report (the "Evaluation Date"), have concluded that as of the Evaluation Date, our disclosure controls and procedures are effective, in all material respects, to ensure that information required to be disclosed in the reports that we file and submit under the Exchange Act (i) is recorded, processed, summarized and reported as and when required and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter of 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2013, based on the guidelines established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (COSO). Our internal control over financial reporting includes policies and procedures that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Based on that evaluation, management concluded that our internal control over financial reporting was effective at December 31, 2013.

Ernst & Young LLP, an independent registered public accounting firm, which audits our consolidated financial statements, has issued an attestation report on the effectiveness of our internal control over financial reporting as of December 31, 2013 included at the end of this section.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of comScore, Inc.

We have audited comScore, Inc.'s internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 Framework) (the COSO criteria). comScore, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, comScore, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of comScore, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013 of comScore, Inc. and our report dated February 18, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

February 18, 2014

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ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by Item 10 of Form 10-K is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2013. Certain information required by this item concerning our executive officers is set forth in Part I, Item 1 of this Annual Report on Form 10-K under "Executive Officers of the Registrant".

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2013.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Form 10-K is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2013.

EQUITY COMPENSATION PLANS

The following table summarizes our equity compensation plans as of December 31, 2013:

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)	
Equity compensation plans approved by security holders	1,173,160	$4.37	3,066,148	(1)
Equity compensation plans not approved by security holders	—	—	—	
Total	1,173,160	$4.37	3,066,148	

(1) Our 2007 Equity Incentive Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year, beginning with our 2008 fiscal year, equal to the lesser of: (i) 4% of the outstanding shares of our common stock on the last day of the immediately preceding fiscal year; (ii) 1,800,000 shares; or (iii) such other amount as our board of directors may determine.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2013.

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ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated by reference to our Proxy Statement for the 2013 Annual Meeting of Stockholders, anticipated to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2013.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements. See Index to Consolidated Financial Statements at Item 8 of this Report on Form 10-K.

(2) All other schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements and notes thereto in Item 8 of Part II of this Annual Report on Form 10-K.

(3) Exhibits. The exhibits filed as part of this report are listed under “Exhibits” at subsection (b) of this Item 15.

(b) Exhibits

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EXHIBIT INDEX

Exhibit No.	Exhibit Document
3.1(1)	Amended and Restated Certificate of Incorporation of the Registrant (Exhibit 3.3)
3.2(1)	Amended and Restated Bylaws of the Registrant (Exhibit 3.4)
4.1(1)	Specimen Common Stock Certificate (Exhibit 4.1)
4.2(1)	Fourth Amended and Restated Investor Rights Agreement by and among comScore Networks, Inc. and certain holders of preferred stock, dated August 1, 2003 (Exhibit 4.2)
10.1(1)	Form of Indemnification Agreement for directors and executive officers (Exhibit 10.1)
10.2(2)	1999 Stock Plan (Exhibit 4.2)
10.3(1)	Form of Stock Option Agreement under 1999 Stock Plan (Exhibit 10.3)
10.4(1)	Form of Notice of Grant of Restricted Stock Purchase Right under 1999 Stock Plan (Exhibit 10.4)
10.5(1)	Form of Notice of Grant of Restricted Stock Units under 1999 Stock Plan (Exhibit 10.5)
10.6(3)	2007 Equity Incentive Plan, as amended and restated June 8, 2011 (Exhibit 10.1)
10.7(1)	Form of Notice of Grant of Stock Option under 2007 Equity Incentive Plan (Exhibit 10.7)
10.8(1)	Form of Notice of Grant of Restricted Stock under 2007 Equity Incentive Plan (Exhibit 10.8)
10.9(1)	Form of Notice of Grant of Restricted Stock Units under 2007 Equity Incentive Plan (Exhibit 10.9)
10.10(1)	Stock Option Agreement with Magid M. Abraham, dated December 16, 2003 (Exhibit 10.10)
10.11(1)	Stock Option Agreement with Gian M. Fulgoni, dated December 16, 2003 (Exhibit 10.11)
10.12(4)	Deed of Lease between South of Market LLC (as Landlord) and comScore, Inc. (as Tenant), dated December 21, 2007 (Exhibit 10.1)
10.14(5)	Summary of 2009 Executive Compensation Bonus Policy (Exhibit 10.22)
10.15(6)	Letter Agreement with Kenneth J. Tarpey, dated April 1, 2009 (Exhibit 10.1)
10.16(3)	Letter Agreement with John M. Green, dated May 20, 2009 (Exhibit 10.2)
10.17(7)	Summary of 2011 Executive Compensation Bonus Policy (Exhibit 10.1)
10.18(8)	

Credit and Security Agreement by and between comScore, Inc. and Bank of America, N.A. dated June 30, 2011 (Exhibit 10.2)

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Exhibit No.	Exhibit Document
10.19(9)	Patent Purchase, License and Settlement Agreement by and among the Company, Nielsen and NetRatings dated December 20, 2011 (Exhibit 10.1)
10.20(9)	Purchase Agreement by and among the Company and Nielsen dated December 20, 2011(Exhibit 10.2)
10.21(9)	Voting Agreement by and among the Company and Nielsen dated December 20, 2011 (Exhibit 10.3)
10.22 (10)	Summary of 2012 Executive Compensation Bonus Policy
21.1	List of Subsidiaries
23.1	Consent of Ernst & Young
24.1	Power of Attorney (see signature page)
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1	XBRL Instance Document+
101.2	XBRL Taxonomy Extension Schema Document+
101.3	XBRL Taxonomy Extension Calculation Linkbase Document+
101.4	XBRL Taxonomy Extension Definition Linkbase Document+
101.5	XBRL Taxonomy Extension Label Linkbase Document+
101.6	XBRL Taxonomy Extension Presentation Linkbase Document+

+ XBRL (Extensible Business Reporting Language) information is furnished and not filed herewith, is not a part of a registration statement or Prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not

subject to liability under these sections.

(1) Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-1, as amended, dated June 26, 2007 (No. 333-141740). The number given in parentheses indicates the corresponding exhibit number in such Form S-1.

(2) Incorporated by reference to the exhibits to the Registrant's Registration Statement on Form S-8, as amended, dated July 2, 2007 (No. 333-144281). The number given in parentheses indicates the corresponding exhibit number in such Form S-8.

(3) Incorporated by reference to the exhibits to the Registrant's Current Report on Form 8-K, filed July 27, 2011 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K

(4) Incorporated by reference to the exhibits to the Registrant's Current Report on Form 8-K, filed February 5, 2008 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(5) Incorporated by reference to the exhibit to the Registrant's Annual Report on Form 10-K, filed March 16, 2009 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 10-K.

(6) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed April 20, 2009 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

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(7) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed May 2, 2011 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(8) Incorporated by reference to the exhibits to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, filed August 9, 2011 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 10-Q.

(9) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed December 21, 2011 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

(10) Incorporated by reference to the exhibit to the Registrant's Current Report on Form 8-K, filed April 4, 2012 (File No. 001-33520). The number given in parentheses indicates the corresponding exhibit number in such Form 8-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMSCORE, INC.

By: /s/ MAGID M. ABRAHAM, PH.D.
Magid M. Abraham, Ph.D.
President, Chief Executive Officer and Director

February 18, 2014

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Magid M. Abraham, Ph.D. and Kenneth J. Tarpey, and each of them acting individually, as his true and lawful attorneys-in-fact and agents, with full power of each to act alone, with full powers of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, with full power of each to act alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ MAGID M. ABRAHAM, PH.D. Magid M. Abraham, Ph.D.	President, Chief Executive Officer and Director (Principal Executive Officer)	February 18, 2014
/S/ KENNETH J. TARPEY Kenneth J. Tarpey	Chief Financial Officer (Principal Financial and Accounting Officer)	February 18, 2014
/S/ GIAN M. FULGONI Gian M. Fulgoni	Executive Chairman of the Board of Directors	February 18, 2014
/S/ JEFFREY GANEK Jeffrey Ganek	Director	February 18, 2014
/S/ WILLIAM J. HENDERSON William J. Henderson	Director	February 18, 2014
/S/ WILLIAM KATZ William Katz	Director	February 18, 2014
/s/ RONALD J. KORN Ronald J. Korn	Director	February 18, 2014
/S/ JARL MOHN	Director	February 18, 2014

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