

OLD SECOND BANCORP INC  
Form DEF 14A  
April 16, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**Old Second Bancorp, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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**OLD SECOND BANCORP, INC.**

37 South River Street, Aurora, Illinois 60506

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD MAY 15, 2012**

**TO THE STOCKHOLDERS:**

The annual meeting of stockholders of Old Second Bancorp, Inc., will be held on Tuesday, May 15, 2012 at 10:00 a.m., central time, at Waubensee Community College, 18 S. River Street, Aurora, Illinois, for the following purposes:

1. to elect four members of the board of directors;
2. to approve, in a non-binding, advisory vote, the compensation of our named executive officers, as described in the proposal on Old Second's executive compensation disclosed in the proxy statement, which is referred to as the "say-on-pay" proposal;
3. to ratify the appointment of Plante & Moran, PLLC as our independent registered public accounting firm for the year ended December 31, 2012; and
4. to transact such other business as may properly be brought before the meeting or any postponements or adjournments of the meeting.

The board of directors is not aware of any other business to come before the meeting. Stockholders of record at the close of business on March 23, 2012 are the stockholders entitled to vote at the meeting and any and all adjournments or postponements of the meeting. In the event there are an insufficient number of votes for a quorum at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit further solicitation of proxies.

By order of the board of directors

William B. Skoglund  
*Chairman and Chief Executive Officer*

Aurora, Illinois  
April 16, 2012

**IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES TO ENSURE A QUORUM AT THE MEETING. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

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## **OLD SECOND BANCORP, INC.**

**37 South River Street, Aurora, Illinois 60506**

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### **PROXY STATEMENT**

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This proxy statement is furnished in connection with the solicitation by the board of directors of Old Second Bancorp, Inc., a Delaware corporation, of proxies to be voted at the annual meeting of stockholders. This meeting is to be held at Waubensee Community College, 18 S. River St., Aurora, Illinois on May 15, 2012 at 10:00 a.m., central time, or at any postponements or adjournments of the meeting. Old Second conducts full service community banking and trust business through its wholly-owned subsidiary, Old Second National Bank.

A copy of our annual report for the year ended December 31, 2011, which includes audited financial statements, is enclosed. This proxy statement was first mailed to stockholders on or about April 16, 2012. As used in this proxy statement, the terms "the Company," "we," "our" and "us" all refer to Old Second and its subsidiaries.

#### **Why am I receiving this proxy statement and proxy form?**

You are receiving a proxy statement and proxy form from us because on March 23, 2012, the record date for the annual meeting, you owned shares of our common stock. This proxy statement describes the matters that will be presented for consideration by the stockholders at the annual meeting. It also gives you information concerning these matters to assist you in making an informed decision.

When you sign the enclosed proxy form, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy form, ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy form in advance of the meeting just in case your plans change.

If you have signed and returned the proxy form and an issue comes up for a vote at the meeting that is not identified on the form, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her best judgment.

#### **What matters will be voted on at the meeting?**

You are being asked to vote on: (i) the election of four nominees to our board of directors; (ii) a non-binding, advisory proposal to approve the compensation of our named executive officers, which is referred to as the "say-on-pay" proposal; (iii) the ratification of Plante & Moran, PLLC as our independent registered public accounting firm for the year ended December 31, 2012; and (iv) any other business that may properly be brought before the meeting.

#### **How do I vote?**

A form of proxy is enclosed for use at the meeting. If the proxy is executed and returned, it may nevertheless be revoked at any time insofar as it has not been exercised. Stockholders attending the meeting may, on request, vote their own shares even though they have previously sent in a proxy. Unless revoked or instructions to the contrary are contained in the proxies, the shares represented by validly executed proxies will be voted at the meeting and will be voted "FOR" the election of the nominees for director named in this proxy statement, "FOR" the say-on-pay proposal and "FOR" the ratification of our independent registered public accounting firm.

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If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of a broker or other fiduciary (or what is usually referred to as "street name"), you will need to arrange to obtain a proxy from the record holder in order to vote in person at the meeting. Even if you plan to attend the annual meeting, we ask that you complete and return your proxy card in advance of the annual meeting in case your plans change.

### **What does it mean if I receive more than one proxy form?**

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with stockbrokers. Please sign and return **ALL** proxy forms to ensure that all your shares are voted.

### **If I hold shares in the name of a broker, who votes my shares?**

If you received this proxy statement from your broker, your broker should have given you instructions for directing how your broker should vote your shares. It will then be your broker's responsibility to vote your shares for you in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers may generally vote on routine matters, such as ratifying the appointment of an independent registered public accounting firm, but cannot vote on non-routine matters, such as the adoption or amendment of a stock incentive plan, unless they have received voting instructions from the person for whom they are holding shares. If there is a matter presented to stockholders at a meeting and your broker does not receive instructions from you on how to vote on that matter, your broker will return the proxy card to us, indicating that he or she does not have the authority to vote on that matter. This is generally referred to as a "broker non-vote" and may affect the outcome of the voting on those matters.

The election of directors and say-on-pay proposal are considered non-routine matters. Therefore, we encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the 2012 annual meeting upon receipt of our proxy materials. You should do this by carefully following the instructions your broker gives you concerning its procedures. This ensures that your shares will be voted at the meeting.

### **What if I change my mind after I return my proxy card.**

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

signing another proxy card with a later date and returning that proxy card to us;

sending notice to us that you are revoking your proxy, or

voting in person at the meeting.

If you hold your shares in the name of your broker or other fiduciary and desire to revoke your proxy, you will need to contact that party to revoke your proxy.

### **How many votes do we need to hold the annual meeting?**

A majority of the shares that were outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business. On March 23, 2012, the record date, there were 14,034,991 shares outstanding. A majority of these shares must be present in person or by proxy at the meeting.

Shares are counted as present at the meeting if the stockholder either:

is present in person at the meeting; or

has properly submitted a signed proxy form or other proxy.

**What happens if any nominee is unable to stand for re-election?**

The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. Proxies cannot be voted for more than four nominees. The board has no reason to believe any nominee will be unable to stand for re-election.

**What options do I have in voting on each of the proposals?**

Except with respect to the election of directors, you may vote "for," "against" or "abstain" on each proposal properly brought before the meeting. In the election of directors you may vote "for" or "withhold authority to vote for" each nominee.

**How many votes may I cast?**

Generally, you are entitled to cast one vote for each share of stock you owned on the record date with respect to each of the proposals. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

**How many votes are needed for each proposal?**

Except with respect to the election of directors, a majority of votes present and entitled to vote at the meeting will approve each matter that arises at the annual meeting. The directors are elected by a plurality and the four individuals receiving the highest number of votes cast "FOR" their election will be elected as directors of Old Second. A "withhold authority" vote will have the same effect as a vote against the election of a particular director. Please note, however, because the say-on-pay vote is advisory, it will not be binding upon the board of directors or the Compensation Committee.

Abstentions and broker non-votes, if any, will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present. So long as a quorum is present, abstentions and broker non-votes will have no effect on the election of directors. Abstentions will have the effect of a vote against the say-on-pay proposal and the ratification of the appointment of our independent registered public accounting firm, while broker non-votes will not affect these votes.

**How are votes counted?**

Voting results will be tabulated and certified by the election judges.

**Where do I find the voting results of the meeting?**

If available, we will announce voting results at the meeting. The voting results will also be disclosed in a Form 8-K within four business days of the voting.

**Important Notice Regarding the Availability of Proxy Material for the Stockholder Meeting to be held on May 15, 2012.**

Full copies of the proxy statement, the proxy card and other materials for the annual meeting are available on the internet at [www.oldsecond.com](http://www.oldsecond.com) under "2012 Annual Meeting Materials." Stockholders will receive a full set of these materials through the mail from us or from your broker.

**PROPOSAL 1:**

**ELECTION OF DIRECTORS**

Old Second's board of directors is divided into three classes, approximately equal in number. At the annual meeting to be held on May 15, 2012, you will be entitled to elect four directors for terms expiring in three years, as described herein. We have no knowledge that any of the nominees will refuse or be unable to serve as directors, but if any of the nominees becomes unavailable for election, the holders of proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

The Nominating and Corporate Governance Committee of the board of directors of Old Second has nominated four persons for election at this annual meeting, all of whom are incumbent directors.

Set forth below is information concerning the nominees for election and for the other directors whose term of office will continue after the meeting, including their age, year first elected or appointed as a director and business experience during the previous five years. The four nominees for director, if elected at the annual meeting, will serve for terms expiring in 2015. None of the directors serve on the boards of any other publicly traded companies besides Old Second.

Unless authority to vote for the nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted "FOR" the election of the nominees proposed by the board of directors.

**Board Recommendation**

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

**NOMINEES**

<b>Name</b>	<b>Served as Old Second Director Since</b>	<b>Principal Occupation</b>
<b>(Term expires 2015)</b>		
J. Douglas Cheatham (Age 55)	2003	Executive Vice President and Chief Financial Officer, Old Second Bancorp, Inc. (2007-present), Secretary, Old Second Bancorp, Inc. (2010-present), Sr. Vice President, Chief Financial Officer, Chief Accounting Officer and Assistant Secretary, Old Second Bancorp, Inc. (2003-2007).
James Eccher (Age 46)	2006	Executive Vice President and Chief Operating Officer, Old Second Bancorp, Inc. (2007-present), President and Chief Executive Officer, Old Second National Bank (2003-present), Sr. Vice President and Branch Director, Old Second National Bank (1999-2003), President and Chief Executive Officer of Bank of Sugar Grove (1995-1999).
Gerald Palmer (Age 66)	1998	Retired Vice President/General Manager, Caterpillar, Inc., a construction equipment manufacturer.
James Carl Schmitz (Age 63)	1999	Tax Consultant (1999-present), Director of Taxes with H. B. Fuller Company (1998), tax specialist with KPMG LLP (1999).

## CONTINUING DIRECTORS

Name	Served as Old Second Director Since	Principal Occupation
<b>(Term expires 2013)</b>		
Edward Bonifas (Age 52)	2000	Vice President, Alarm Detection Systems, Inc., producer and installer of alarm systems, closed circuit video systems and card access control systems.
William Meyer (Age 64)	1995	President, William F. Meyer Co., a wholesale plumbing supply company.
William B. Skoglund (Age 61)	1992	Chairman and Chief Executive Officer of Old Second Bancorp, Inc. and Chairman of Old Second National Bank.

Name	Served as Old Second Director Since	Principal Occupation
<b>(Term expires 2014)</b>		
Barry Finn (Age 52)	2004	President and Chief Executive Officer, Rush-Copley Medical Center (2002-present), Chief Operating Officer and Chief Financial Officer, Rush-Copley Medical Center (1996-2002).
William Kane (Age 60)	1999	Partner, Label Printers, Inc., a printing company.
John Ladowicz (Age 59)	2008	Former Chairman and Chief Executive Officer of HeritageBanc, Inc. and Heritage Bank (1996-2008).

All directors will hold office for the terms indicated, or until their earlier death, resignation, removal or disqualification and until their respective successors are duly elected and qualified. There are no arrangements or understandings between any of the nominees, directors or executive officers and any other person pursuant to which any of our nominees, directors or executive officers have been selected for their respective positions. No nominee, member of the board of directors or executive officer is related to any other nominee, member of the board of directors or executive officer.

**Director Qualifications**

We have established minimum criteria that we believe each director should possess to be an effective member of our board. Those criteria are discussed in more detail on page 8 of this proxy statement. The particular experience, qualifications, attributes or skills that led the board to conclude that each member is qualified to serve on the board and any committee he or she serves on is as follows:

**Mr. Bonifas:** We consider Mr. Bonifas to be a qualified candidate for service on the board, the Audit Committee and the Compensation Committee due to his skills and expertise acquired as a leader of a successful business and his prominence in the community.

**Mr. Cheatham:** We consider Mr. Cheatham to be a qualified candidate for service on the board due to his experience in the financial services industry and the familiarity with Old Second's operations he has acquired as Chief Financial Officer of Old Second.



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**Mr. Echer:** We consider Mr. Echer to be a qualified candidate for service on the board due to his experience in the financial services industry and the familiarity with Old Second's operations he has acquired as the Chief Operating Officer of Old Second and President of Old Second National Bank.

**Mr. Finn:** We consider Mr. Finn to be a qualified candidate for service on the board and the Nominating and Corporate Governance Committee due to his business and financial expertise acquired as an executive at a successful local medical center, as well as his prominence in the community.

**Mr. Kane:** We consider Mr. Kane to be a qualified candidate for service on the board and the Compensation Committee due to his experience as a partner at a successful local business, his general experience in business and his prominence in the community.

**Mr. Ladowicz:** We consider Mr. Ladowicz to be a qualified candidate for service on the board, the Audit Committee and the Nominating and Corporate Governance Committee due to his previous experience as a chief executive officer in the financial services industry, as well as his extensive knowledge of the market areas we entered through the acquisition of HeritageBanc, Inc. in 2008.

**Mr. Meyer:** We consider Mr. Meyer to be a qualified candidate for service on the board, the Compensation Committee and the Nominating and Corporate Governance Committee due to his skills and expertise acquired as president of a well-established local business and his prominence in the local business community.

**Mr. Palmer:** We consider Mr. Palmer to be a qualified candidate for service on the board, the Compensation Committee and the Nominating and Corporate Governance Committee due to his skills and expertise acquired as vice president of a successful publicly traded company, his experience in the industrial manufacturing industry and his knowledge of the business community in the markets we serve.

**Mr. Schmitz:** We consider Mr. Schmitz to be a qualified candidate for service on the board and the Audit Committee due to his skills and expertise in tax consulting and his familiarity with our local market areas.

**Mr. Skoglund:** We consider Mr. Skoglund to be a qualified candidate for service on the board due to his skills and experience in the financial services industry and the intimate familiarity with Old Second's operations he has acquired as the Chief Executive Officer of Old Second.

## CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

### General

Currently, the board of directors is made up of ten directors who are elected every three years to serve staggered terms. As disclosed below, the U.S. Department of the Treasury (the "U.S. Treasury") as the holder of our Fixed Rate Cumulative Perpetual Preferred Stock, Series B (The "Series B Preferred Stock") also has the right to appoint two directors if dividend payments on the Series B Preferred Stock are deferred for an aggregate of six quarters. In the event the U.S. Treasury exercises its right to appoint directors, our board will consist of twelve directors instead of ten. Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of Old Second, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board and through committee membership, which is discussed below. The board has determined that all of the directors and nominees are "independent" as defined by the Nasdaq Stock Market, with the exception of Messrs. Skoglund, Cheatham and Echer, each of whom is an executive officer.

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The board of directors held 12 regular and 7 special meetings during 2011. All of the directors attended at least 75% of these meetings and the meetings of the committees on which they served. We typically schedule a board meeting in conjunction with our annual meeting and expect that our directors will attend our annual meeting. Last year, all directors attended our annual meeting.

The board of directors believes that it is important to encourage the highest level of corporate ethics and responsibility. Among other things, the board adopted a Code of Business Conduct and Ethics, which applies to all of our directors, officers and employees, as well as a procedure for allowing employees to anonymously report any problems they may detect with respect to our financial reporting. The Code of Business Conduct and Ethics, as well as other information pertaining to our committees, corporate governance and reporting with the Securities and Exchange Commission, can be found on our website at [www.oldsecond.com](http://www.oldsecond.com).

The board of directors has standing Audit, Nominating and Corporate Governance and Compensation Committees, each of which is made up solely of directors who are deemed to be "independent" under the rules of Nasdaq. Nasdaq's independence rules include certain instances that will preclude a director from being deemed independent and the board reviews those requirements each year to determine a director's status as an independent director.

During the review of Mr. Finn's status as an independent board member, the board considered Mr. Finn's roles as President and Chief Executive Officer at Rush-Copley Medical Center and Mr. Skoglund's position as the Vice Chairman of Rush-Copley's board of directors. Our board determined that this does not preclude a finding that Mr. Finn is independent under Nasdaq's rules because Mr. Skoglund does not serve on Rush-Copley's compensation committee and has recused himself from any discussions or votes that involve Mr. Finn's salary.

Actions taken by each committee of the board are reported to the full board, usually at its next meeting. The principal responsibilities of each of the committees are described below.

### **Audit Committee**

The Audit Committee assists the board in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The Audit Committee is solely responsible for the pre-approval of all audit and non-audit services to be provided by our independent registered public accounting firm and exercises its authority to do so in accordance with a policy that it has adopted. Additionally, the Audit Committee reviews and approves all related party transactions between Old Second and related parties in accordance with Nasdaq's rules and regulations.

The members of our Audit Committee during 2011 were Messrs. Finn, (who served as Chairman), Bonifas, Ladowicz and Schmitz, each of whom is deemed to be an independent director under Nasdaq's rules. We expect that these members will continue to serve on the committee in 2012. Mr. Finn was appointed as chairman of the Audit Committee in 2008. Mr. Schmitz will serve as chairman of the Audit Committee at any meeting Mr. Finn is unable to attend or if Mr. Finn is otherwise unable to carry out the duties of Audit Committee chairman. The Audit Committee met 6 times in 2011.

The board has designated Mr. Finn, who is currently President and Chief Executive Officer of Rush-Copley Medical Center and previously served as its Chief Operating Officer and Chief Financial Officer, as the "audit committee financial expert," as such term is defined by the regulations of the SEC. The board's determination was based upon Mr. Finn's level of knowledge and experience regarding financial matters and his experience overseeing and managing the audit of an organization, which he has gained both from his formal education and from his professional experience as the Chief Financial Officer of a regional hospital organization. The board believes that each of the other members of the Audit Committee possesses knowledge and experience sufficient to understand the

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complexities of the financial statements of Old Second. Mr. Finn, or another member of the Audit Committee, met on a quarterly basis during 2011 with our independent registered public accounting firm.

The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at [www.oldsecond.com](http://www.oldsecond.com). You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to [corporatesecretary@oldsecond.com](mailto:corporatesecretary@oldsecond.com).

### **Compensation Committee**

The Compensation Committee reviews the performance of Old Second's executive officers and establishes their compensation levels. The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at [www.oldsecond.com](http://www.oldsecond.com). You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to [corporatesecretary@oldsecond.com](mailto:corporatesecretary@oldsecond.com). The Compensation Committee met 4 times during 2011.

The members of the Compensation Committee in 2011 were Messrs. Bonifas, Kane, Meyer and Palmer (who served as Chairman), each of whom is an "independent" director as defined by Nasdaq, an "outside" director pursuant to Section 162(m) of the Internal Revenue Code and a "non-employee" director under Section 16 of the Securities Exchange Act of 1934. We expect that these members will continue to serve on the committee in 2012.

### **Nominating and Corporate Governance Committee**

The Nominating and Corporate Governance Committee reviews the qualifications of, and recommends to the board for nomination, candidates to stand for election at each annual meeting or to fill vacancies on the board as they may occur during the year. The committee also reviews on a periodic basis whether each director is "independent" under the rules of Nasdaq. Additionally, the Nominating and Corporate Governance Committee is responsible for reviewing our policies, procedures and structure as they relate to corporate governance. The committee's duties, responsibilities and functions are further described in its charter, which is available on our website at [www.oldsecond.com](http://www.oldsecond.com). You can request a copy of the committee's charter by sending a written request to the Corporate Secretary at 37 South River Street, Aurora, Illinois 60506, or by sending an e-mail requesting same to [corporatesecretary@oldsecond.com](mailto:corporatesecretary@oldsecond.com). The Nominating and Corporate Governance Committee met one time in 2011.

The members of the Nominating and Corporate Governance Committee in 2010 were Messrs. Finn, Ladowicz, Meyer and Palmer (who served as Chairman), each of whom is deemed to be an independent director under Nasdaq's rules. It is anticipated that the Nominating and Corporate Governance Committee will consist of Messrs. Finn, Ladowicz, Meyer and Palmer throughout 2012. Mr. Palmer is expected to remain as Chairman of the committee in 2012.

### **Director Nominations and Qualifications**

In making its nominations for persons to be elected to the board of directors and included in our proxy statement, the Nominating and Corporate Governance Committee evaluates incumbent directors, board nominees and persons nominated by stockholders, if any. The committee reviews each candidate in light of the criteria that we believe each director should possess. Included in the criteria are whether each nominee: (i) meets the minimum requirements for service on the board of directors contained in our bylaws; (ii) is under the age of 70 at the time of his or her election, pursuant to our certificate of incorporation; (iii) possesses the highest personal and professional ethics, integrity and values; (iv) has, in the committee's opinion, a sufficient educational and professional background and relevant past and

current employment affiliations, board affiliations and experience for service on the board; (v) has demonstrated effective leadership and sound judgment in his or her professional life; (vi) has a strong sense of service to the communities in which we serve; (vii) has exemplary management and communication skills; (viii) is free of conflicts of interest that would prevent him or her from serving on the board; (ix) will ensure that other existing and future commitments do not materially interfere with his or her service as a director; (x) will review and agree to meet the standards and duties set forth in the Company's Code of Business Conduct and Ethics; (xi) is willing to devote sufficient time to carrying out their duties and responsibilities effectively; and (xii) is committed to serving on the board for an extended period of time. While we do not have a separate diversity policy, the committee does consider the diversity of its directors and nominees in terms of knowledge, experience, skills, expertise and other demographics which may contribute to the board. The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and to determine whether they are "independent" in accordance with Nasdaq requirements (to ensure that at least a majority of the directors will, at all times, be independent).

The committee, when considering potential board members, will look at all of the foregoing criteria and arrive at the candidate that best meets the items set forth. The various qualifications and criteria are normally considered by the committee in connection with its evaluation of who the committee will recommend as the Company's nominees. Generally, each incumbent director standing for re-election should have and will have, at a minimum, attended at least 75% of board meetings during the past year and attended a majority of committee meetings of which he or she is a member. The committee retains the ability to make exceptions to this attendance requirement as individual circumstances warrant.

All of the nominees for election as directors for the 2012 annual meeting were nominated by the committee. The committee did not receive any formal stockholder nominations for directors.

#### **U.S. Treasury's Ability to Appoint Directors**

As discussed in greater detail in note 24 to our consolidated financial statements included in our 2012 Annual Report on Form 10-K, the Company entered into a Letter Agreement with the U.S. Treasury in January 2009 pursuant to which the Company issued (i) 73,000 shares of the Company's Series B Preferred Stock and (ii) a warrant to purchase 815,339 shares of the Company's common stock for an aggregate purchase price of \$73.0 million in cash. This transaction occurred pursuant to and is governed by the U.S. Treasury's Capital Purchase Program. The Series B Preferred Stock currently carries a 5% cumulative annual dividend rate, payable quarterly. Dividend payments on the Series B Preferred Stock may be deferred; however, failure to pay dividends on the Series B Preferred Stock for an aggregate of six quarters gives the U.S. Treasury the right to elect two directors to our board, which continues until the Company has paid all outstanding dividends. The Company suspended quarterly cash dividends on its Series B Preferred Stock in August 2010, and, as of the date of this proxy statement, the Company has not paid dividends for an aggregate of six quarters. As of January 2012, the U.S. Treasury has appointed an observer to the Company's board of directors. Although the U.S. Treasury has not yet elected any directors to serve on our board, it has indicated that it intends to appoint two directors to our board sometime during 2012. In the event that the U.S. Treasury appoints two directors, our board will consist of twelve members, including the ten directors who have been elected by the holders of our common stock and two directors appointed by the U.S. Treasury as holder of the Company's Series B Preferred Stock. Holders of shares of our common stock are not entitled to vote on these appointments.

### **Common Stock Ownership and Retention Guidelines for Directors**

In January of 2010, the Compensation Committee established guidelines to further align the interests of board members and stockholders by requiring all directors to develop a significant equity stake in the organization they oversee. The Compensation Committee is responsible for monitoring compliance with these stock ownership and retention guidelines.

Non-employee directors are expected to acquire and hold during their service as board members, shares of our common stock equal in value to at least three times the annual cash retainer for non-employee directors. Non-employee directors have three years from their initial election to the board to meet the target stock ownership guidelines. Once they obtain the requisite number of shares, they are expected to continuously own sufficient shares to meet the guidelines. The stock ownership goal will be determined by using the value of their retainers as of January 1 of each year and the average closing stock price for our common stock over the prior twelve months.

Shares that count toward meeting the stock ownership guidelines include: (i) shares owned, which include shares obtained upon exercise of options or shares purchased in the open market; (ii) shared ownership, which includes shares owned or held in trust by immediate family; and (iii) restricted stock units. Unexercised stock options do not count toward meeting the stock ownership guidelines. Until such time as the director reaches his or her target stock ownership, the director will be required to hold 50% of the shares of common stock received upon lapse of the restrictions, and upon exercise of stock options. In the rare instance in which these guidelines would place a severe hardship on a director, the Compensation Committee may decide to allow an alternative stock ownership guideline that reflects the intentions of these overall guidelines and the directors' own personal circumstances.

### **Board Leadership Structure**

The positions of Chairman of the Board and Chief Executive Officer of Old Second have historically been combined, and Mr. Skoglund currently holds both positions. We believe this board leadership structure is the most appropriate because our Chief Executive Officer has the best knowledge of the day-to-day operations of the Company and can make recommendations to the board based on his ongoing experience and "hands on" running of the Company. For this reason, we believe combining the two roles greatly enhances the decision-making processes of the board as a whole. We have a strong governance structure in place, including a designated lead independent director, to ensure the powers and duties of the dual role are handled responsibly. Furthermore, consistent with Nasdaq's listing requirements, the independent directors regularly have the opportunity to meet in executive session without management or any non-independent directors in attendance. In 2011, the independent directors met 3 times in executive session.

In 2004, the board of directors created the position of a "lead" independent director, currently filled by Mr. Palmer. The Nominating and Corporate Governance Committee reviews this appointment annually and the full board has the opportunity to ratify the committee's selection. The lead independent director assists the board in assuring effective corporate governance and serves as chairman of the independent director sessions.

### **Board's Role in Risk Oversight**

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as the impact of competition. Management is responsible for the day-to-day management of risks the Company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk

management processes designed and implemented by management are adequate and functioning as designed.

While the full board of directors is charged with ultimate oversight responsibility for risk management, various committees of the board and members of management also have responsibilities with respect to our risk oversight. In particular, the Audit Committee plays a large role in monitoring and assessing our financial, legal and organizational risks, and receives regular reports from the management team's senior risk officer regarding comprehensive organizational risk as well as particular areas of concern. The board's Compensation Committee monitors and assesses the various risks associated with compensation policies, and oversees incentives that encourage a level of risk-taking consistent with our overall strategy. Additionally, our chief credit officer and loan review staff are directly responsible for overseeing our credit risk.

We believe that establishing the right "tone at the top" and providing for full and open communication between management and the board of directors are essential for effective risk management and oversight. Our executive management meets regularly with our other senior officers to discuss strategy and risks facing the Company. Senior officers attend many of the board meetings, or, if not in attendance, are available to address any questions or concerns raised by the board on risk management-related and any other matters. Additionally, each of our board-level committees provides regular reports to the full board and appraises the board of our comprehensive risk profile and any areas of concern.

### **Stockholder Communications with the Board; Nomination and Proposal Procedures**

***Stockholder Communications with Directors.*** Stockholders of Old Second may contact any member of the board of directors, or the board as a whole, through the Corporate Secretary either in person, in writing by mail or by e-mail at [corporatesecretary@oldsecond.com](mailto:corporatesecretary@oldsecond.com). Any such communication should indicate whether the sender is an Old Second stockholder. The address for submitting communications to the board by mail is 37 South River Street, Aurora, Illinois 60506. Any communication will be forwarded promptly to the board as a group or to the attention of a specified director per your request, except for communications that are primarily commercial in nature or related to an improper or irrelevant topic.

***Nominations of Directors.*** In order for a stockholder nominee to be considered by the Nominating and Corporate Governance Committee to be its nominee and included in our proxy statement, the nominating stockholder must file a written notice of the proposed director nomination with our Corporate Secretary, at the above address, at least 120 days prior to the date on which the previous year's proxy statement was mailed to stockholders. Nominations must include the full name and address of the proposed nominee and a brief description of the proposed nominee's business experience for at least the previous five years and, as to the stockholder giving the notice, his or her name and address, and the class and number of shares of our capital stock owned by that stockholder. All submissions must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The committee may request additional information in order to make a determination as to whether to nominate the person for director.

In accordance with our Certificate of Incorporation, a stockholder may otherwise nominate a director for election to the board at an annual meeting of stockholders by giving timely notice in writing to our Corporate Secretary, at the address provided above. To be timely, stockholder nominations must be made in writing, delivered or mailed by first class United States mail, postage prepaid, to our Corporate Secretary not fewer than 14 days nor more than 60 days prior to any meeting of stockholders called for the election of directors. However, if notice of the meeting is given to stockholders less than 21 days prior to the date of the meeting, written nominations must be delivered or mailed to our Corporate Secretary not later than the close of business on the seventh day

following the day on which notice of the meeting was mailed to stockholders. Each written nomination must set forth the (i) name, age, business address and, if known, residence address of each nominee; (ii) principal occupation or employment of each such nominee for the past five years; and (iii) number of shares of stock of Old Second beneficially owned by each such nominee and by the nominating stockholder.

**Other Stockholder Proposals.** To be considered for inclusion in our proxy statement and form of proxy relating to our 2013 annual meeting of stockholders, the proposing stockholder must file a written notice of the proposal with our Corporate Secretary, at the above address, by December 23, 2012, and must otherwise comply with the rules and regulations set forth by the Securities and Exchange Commission.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock at December 31, 2011, by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock, by each director or nominee, by each executive officer named in the Summary Compensation Table (which can be found later in this proxy statement), and by all directors and executive officers of Old Second as a group. Beneficial ownership has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), under which a person is deemed to be the beneficial owner of securities if he or she has or shares voting power or investment power with respect to such securities or has the right to acquire beneficial ownership of securities within 60 days of December 31, 2011. Unless otherwise noted, the address of each 5% stockholder is 37 South River Street, Aurora, Illinois 60506.

Name of Individual and Number of Persons in Group	Amount and Nature of Beneficial Ownership(1)	Percent of Class
<b>5% Stockholders:</b>		
Old Second Bancorp, Inc.(2) Profit Sharing Plan & Trust Dimensional Fund Advisors LP(3)	1,425,472	10.2%
Palisades West, Building One 6300 Bee Cave Road Austin, Texas 78746	952,329	6.8%
<b>Directors:</b>		
Edward Bonifas(9)	34,326	*
J. Douglas Cheatham(4)	182,541	*
James Eccher(5)	165,595	*
Barry Finn(9)	25,296	*
William Kane(9)	53,296	*
John Ladowicz(6)	313,266	2.2%
William Meyer(9)	93,314	*
Gerald Palmer(9)	51,962	*
J. Carl Schmitz(7)(9)	59,496	*
William B. Skoglund(8)	391,035	2.8%
All directors and executive officers as a group (11 persons)	1,370,127	9.8%

\*  
Less than 1%.

(1) Includes ownership of shares of our common stock by spouse (even though any beneficial interest is disclaimed) and in our profit sharing plan and trust and our salary savings plan.

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- (2) In addition, as of December 31, 2011, Old Second National Bank held in its trust department, in various fiduciary capacities (other than as trustee of our profit sharing plan and trust), 952,787 shares of our common stock. Old Second had full investment power with respect to 284,254 shares and shared investment power with respect to 41,889 shares.
- (3) As reported on a Schedule 13G filed on February 14, 2012.
- (4) Includes 87,000 shares issuable pursuant to options held by Mr. Cheatham as well as 31,192 shares of restricted stock, plus an additional 35,330 shares of restricted stock granted in February of 2011. Also includes 4,192 shares held in our profit sharing plan and trust, 23,427 shares held in our 401(k) plan, and 1,400 shares held in Mr. Cheatham's name alone. The shares of restricted stock granted to Mr. Cheatham are subject to two-year cliff vesting, and therefore the 20,000 shares granted in February of 2012 will fully vest in 2014.
- (5) Includes 71,666 shares issuable pursuant to options held by Mr. Eccher, as well as 37,906 shares of restricted stock in addition to 35,330 shares of restricted stock granted in February of 2011. Also includes 1,960 shares held in our profit sharing plan and trust, 6,245 shares held in our 401(k) plan, 10,050 in his name alone, 148 held with his spouse, and 2,290 shares held in brokerage. The shares of restricted stock granted to Mr. Eccher are subject to two-year cliff vesting, and therefore the 20,000 shares granted in February of 2012 will fully vest in 2014.
- (6) Includes 266,720 shares held in our 401(k) plan.
- (7) Mr. Schmitz has voting control of 50,000 shares held in the J. C. Schmitz Revocable Trust.
- (8) Includes 232,000 shares issuable pursuant to options held by Mr. Skoglund, as well as 61,929 shares of restricted stock plus an additional 35,330 shares of restricted stock granted in February of 2011. The total also includes 47,038 shares held in our profit sharing plan and trust, 14,206 shares held in our 401(k) plan, and 532 shares held in Mr. Skoglund's name alone. The shares of restricted stock granted to Mr. Skoglund are subject to two-year cliff vesting, and therefore the 20,000 shares granted in February of 2012 will fully vest in 2014.
- (9) Each director, with the exception of Mr. Cheatham, Mr. Eccher, Mr. Skoglund and Mr. Ladowicz, holds a total of 7,500 options from grants of 1,500 shares in each of 2005-2009, as well as 596 restricted stock units for 2009. Mr. Ladowicz was appointed to the board on February 8, 2008 and was awarded options in February of 2009 of 1,500 shares, along with the other Board members, as well as 596 restricted stock units. In addition, in January of 2010, all non-employee directors were given 1,200 restricted stock units. All options vest in three equal installments on the first three anniversaries of the grant date and the exercisable portion is included in these totals. The 596 restricted stock units are subject to cliff vesting and will fully vest in 2012. The 1,200 restricted stock units granted to all non-employee directors are subject to cliff vesting and will fully vest in 2013.

### **SECURITY 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires that our directors, executive officers and ten percent stockholders file reports of ownership and changes in ownership with the Securities and Exchange Commission. Such persons are also required to furnish us with copies of all Section 16(a) forms they file. No person failed to comply with the filing requirements of Section 16(a) during 2011 and there are no late filings to report.



## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis describes Old Second's compensation philosophy and policies for 2011 and 2012 as applicable to the executive officers named in the Summary Compensation Table on page 25. This section explains the structure and rationale associated with each material element of the executive's compensation, and it provides important context for the more detailed disclosure tables and specific compensation amounts provided following the section. It is important to note that Old Second and Old Second National Bank share an executive management team, the members of which are compensated by Old Second National Bank rather than Old Second. The compensation packages of the named executive officers are determined and approved by our Compensation Committee based upon their performances and roles for both Old Second and Old Second National Bank.

The Compensation Committee has overall responsibility for evaluating the compensation plans, policies and programs relating to the executive officers of Old Second. Further, as required by the rules established by the U.S. Treasury, guidance issued by the Federal Reserve and other financial institution regulatory agencies, and the SEC's guidance regarding risk associated with compensation arrangements (each as described more fully below), the Compensation Committee is also responsible for a more expansive risk review with respect to most of the compensation plans, policies and programs maintained for employees of Old Second. The Compensation Committee relies upon the input of management, particularly Mr. Skoglund, when carrying out its responsibilities in establishing executive compensation. Management provides the committee with evaluations as to employee performance, guidance on establishing performance targets and objectives and recommends salary levels and equity awards. The committee also consults with management on matters that are relative to executive compensation and benefit plans where board or stockholder action is expected, including the adoption of new plans or the amendment of existing plans. Finally, the committee consults with management, specifically Old Second's senior risk officer, in completing the risk review with respect to employee compensation plans. No executive officer participates in any recommendation or decision regarding his or her own compensation.

The Compensation Committee's charter gives it the authority to hire outside consultants to further its objectives and responsibilities. During 2011, the Compensation Committee retained ChaseCompGroup LLC to provide services to the committee in connection with a review of the compensation paid or provided to Old Second's named executive officers and Old Second's board of directors. ChaseCompGroup LLC does not provide any services, other than those performed at the direction of the Compensation Committee, to Old Second or Old Second National Bank.

During 2011, the Compensation Committee convened in January, June, October and December. Mr. Palmer, Chairman of the committee, also met as needed with internal staff members to assimilate compensation information for this proxy statement. The Compensation Committee also met in February 2012 to approve salaries for 2012. Restricted stock was granted to our named executive officers in February 2011 and February 2012 as part of our executive incentive plan.

### Regulatory Impact on Compensation

In order to more fully understand the Compensation Committee's decisions with respect to compensation during 2011, the committee believes it is beneficial to understand the regulatory context in which these decisions were made.

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As a publicly-traded financial institution, which is also a participant in the U.S. Treasury's Troubled Asset Relief Program ("TARP"), Old Second and Old Second National Bank must contend with several often overlapping layers of regulations when considering and implementing compensation-related decisions. These regulations do not set specific parameters within which compensation decisions must be made, but do require Old Second and the Compensation Committee to be mindful of the risks that often go hand-in-hand with compensation programs designed to incentivize the achievement of better than average performance. While the regulatory focus on risk assessment has been heightened over the last several years, the incorporation of general concepts of risk assessment into compensation decisions is not a recent development.

During 2011, Old Second continued as a participant in TARP. As a result of its participation, Old Second and certain of its employees have been and will continue to be subject to compensation-related limitations and restrictions for the period that the U.S. Treasury holds the preferred stock issued by Old Second in TARP. The TARP compensation limitations and restrictions include the following:

Except in limited circumstances, Old Second's five most highly compensated employees (as determined on an annual basis) are prohibited from receiving cash bonus payments during the TARP period. Messrs. Skoglund, Cheatham and Eccher were subject to this prohibition during 2011 and will continue to be subject to it during 2012 for as long as the U.S. Treasury retains its ownership of the preferred stock.

Except in limited circumstances, Old Second's named executive officers and its next five most highly compensated employees (each as determined on an annual basis) are prohibited from receiving any severance payments upon a termination of employment or any payments triggered by the occurrence of a change in control.

Our named executive officers and next 20 most highly compensated employees are subject to a "clawback" of incentive compensation if that compensation is based on materially inaccurate financial statements or performance metrics. Further, no one in this group of employees can receive any tax gross-up payment during the TARP period.

Old Second is limited to an annual deduction of \$500,000 with respect to the compensation paid to each of our named executive officers.

In addition to the foregoing limitations and restrictions, the TARP rules and regulations have required the Compensation Committee to undertake a semi-annual risk assessment with respect to certain of the compensation plans, programs and arrangements maintained by Old Second, regardless of whether the individual employee(s) covered by the plan, program or arrangement is a named executive officer. The risk assessments are performed by the senior risk officer and the committee. The senior risk officer and the committee review all compensation plans and arrangements to ensure that risks are identified and mitigated. The intent of these risk assessments is to minimize the opportunity that any employee will be incentivized to take unacceptable risks in order to maximize his or her compensation under such plans and arrangements.

Under its long-standing *Interagency Guidelines Establishing Standards for Safety and Soundness*, the FDIC has long held that excessive compensation is prohibited as an unsafe and unsound practice. In describing a framework within which to make a determination as to whether compensation is to be considered excessive, the FDIC has indicated that financial institutions should consider whether aggregate cash amounts paid, or noncash benefits provided, to employees are unreasonable or disproportionate to the services performed by an employee. The FDIC encourages financial institutions to review an employee's compensation history and to consider internal pay equity, and, as appropriate, to consider benchmarking compensation to peer groups. Finally, the FDIC provides that such an assessment must be made in light of the institution's overall financial condition.

In the summer of 2010, the various financial institution regulatory agencies worked together to issue additional guidance, *Guidance on Sound Incentive Compensation Policies*, that was in many respects intended to serve as a compliment to the *Safety and Soundness* standards. As its title would imply, the joint agency guidance sets forth a framework for assessing the soundness of incentive compensation plans, programs and arrangements maintained by financial institutions. The joint agency guidance is narrower in scope than the *Safety and Soundness* standards because it applies only to senior executive officers and those other individuals who, either alone or as a group, could pose a material risk to the institution. With respect to those identified individuals, the joint agency guidance is intended to focus the institution's attention on balanced risk-taking incentives, compatibility with effective controls and risk management, and a focus on general principles of strong corporate governance.

Also, once further risk assessment guidelines and procedures, as required under the Dodd-Frank Act, are finalized by the financial institution regulatory agencies and the SEC, Old Second expects that it will also be subject to those further guidelines and procedures. However, initial guidance respecting the Dodd-Frank Act risk assessment guidelines and procedures was issued during 2011. In large part, that guidance restates the frameworks set forth in the *Safety and Soundness* standards and joint agency guidance described above.

Finally, as a publicly-traded corporation, Old Second is also subject to the SEC's rules regarding risk assessment. Those rules require a publicly-traded company to determine whether any of its existing incentive compensation plans, programs or arrangements creates risks that are reasonably likely to have a material adverse effect on the company.

The Compensation Committee believes that a sensible approach to balancing risk-taking and rewarding reasonable, but not necessarily easily attainable, goals has always been a component of its overall assessment of the compensation plans, programs and arrangements it has put in place for Old Second's named executive officers. In this regard, the committee has regularly revisited the components of the frameworks set forth in the *Safety and Soundness* standards and the joint guidance as an effective tool for conducting its own assessment of the balance between risk and reward built into Old Second's compensation programs for named executive officers. In addition, the committee continues to anticipate final guidance under the Dodd-Frank Act and will be prepared to incorporate into its risk assessment procedures any new guidelines and procedures as may be necessary or appropriate.

#### **Impact of Prior Say-on-Pay Votes on Compensation Decisions**

At Old Second's 2011 Annual Meeting, nearly 90% of voting stockholders approved the non-binding advisory proposal on the compensation of certain executive officers. Old Second, the board and the Compensation Committee pay careful attention to communications received from stockholders regarding executive compensation, including the non-binding advisory vote. Old Second considered the positive result of the 2011 advisory vote on executive compensation but not for specific 2011 compensation decisions. Based on this consideration and the other factors described in this Compensation Discussion & Analysis, the Compensation Committee did not alter the policies or structure for named executives' compensation for 2011.

#### **Compensation Philosophy and Objectives**

Our philosophy is intended to align the interests of management with those of our stockholders without creating undue risk to Old Second. The executive compensation program is designed in a manner which the committee believes does not provide our executives with incentives to engage in business activities or other behavior that would threaten the value of Old Second or the investments of our stockholders.

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The executive compensation program is intended to accomplish the following objectives:

align the interests of our named executive officers with those of our stockholders;

maintain a corporate environment which encourages stability and a long-term focus for both Old Second and our management;

maintain a program which:

clearly motivates personnel to perform and succeed according to our current goals;

retains key personnel critical to our long-term success; and

does not create undue risk to Old Second; and

ensure that management:

fulfills its oversight responsibility to its constituents which include stockholders, customers, employees, the community and government regulatory agencies;

conforms its business conduct to the highest ethical standards;

remains free from any influence;

- if dissolution of Price is approved by its shareholders and the Reorganization takes place after exchanging its Verizon Partnership interest for Verizon common stock, Price will engage in no activities other than (i) holding the Verizon common stock; (ii) holding cash and cash equivalents; (iii) holding any existing marketable securities that it currently owns; (iv) managing its liabilities; and (v) any activities necessary and incidental to the activities in clauses (i) through (iv); but Price will not vary any of its investments, other than rolling over fixed income investments as they mature into new short-term fixed income investments;
- following the Reorganization or Alternative Reorganization, Verizon will continue to hold for use in its business the Verizon Partnership interest received in exchange for its common stock. For this purpose, Verizon will be treated as holding all of the businesses and assets of its "Qualified Group," as defined in the applicable Treasury Regulations;
- if dissolution of Price is approved by its shareholders and the Reorganization takes place pursuant to a plan of reorganization that will be adopted prior to the exchange of our preferred limited partnership interest in the Verizon Partnership, Price will distribute to its shareholders and creditors all the Verizon common stock and all its other properties (except any amounts retained to pay or provide for the payment of liabilities) no later than August 14, 2007, at which point Price will cease all activities and surrender its corporate charter. To the extent



that Price at such time holds any assets to pay, or provide for the payment of, its liabilities, such assets will be deposited in a liquidating trust for the benefit of our shareholders; and

- immediately prior to the Reorganization or Alternative Reorganization, Verizon will not be an investment company as defined in Section 368(a)(2)(F) of the Internal Revenue Code.

In addition, the opinion of Davis Polk & Wardwell has assumed, and Davis Polk & Wardwell's ability to provide the closing date opinion will depend on, the absence of changes in existing facts or in law between the date of this proxy statement and the exchange date. If any of those representations, covenants or assumptions is inaccurate, Davis Polk & Wardwell may not be able to provide the required exchange date opinion and the federal income tax consequences of the exchange could differ from those described herein.

The following discussion neither binds the Internal Revenue Service (the "IRS") nor precludes the IRS or the courts from adopting a contrary position. Price does not intend to obtain a ruling from the IRS on the tax consequences of the Reorganization and the Alternative Reorganization.

#### *Federal Income Tax Treatment of the Reorganization and the Alternative Reorganization*

The following is a discussion of the consequences if the proposed dissolution is approved and the Reorganization takes place, or, alternatively, if the proposed dissolution is not approved and the Alternative Reorganization takes place.

#### Federal Income Tax Consequences to Price if the Proposed Dissolution is Approved

Although the matter is not free from doubt, the Reorganization will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and Verizon Communications and Price will each be a party to that reorganization within the meaning of Section 368(b) of the Internal Revenue Code. Assuming such treatment is correct, Price will not recognize any gain or loss for federal income tax purposes as a result of the Reorganization.

#### Federal Income Tax Consequences to Holders of Price Common Stock if the Proposed Dissolution is Approved

Assuming that the reorganization treatment is correct, for federal income tax purposes:

- Holders of Price common stock who receive both Verizon common stock and cash in the Reorganization will not recognize any loss and will recognize gain, if any, equal to the lesser of: (1) the amount of cash so received and (2) the excess of the sum of the amount of cash so received and the fair market value on the date of the distribution of the shares of Verizon common stock over the shareholder's adjusted tax basis for its Price common stock. The tax treatment of such gain is uncertain. Price intends to report the cash distributed to each holder of Price common stock as dividend income to the extent of the holder's ratable share of Price's undistributed earnings and profits. Accordingly, cash distributed to certain shareholders who are not U.S. Holders, including (1) nonresident alien individuals not otherwise present in the United States for 183 days or more in the year of distribution, (2) foreign corporations and (3) foreign estates or trusts, will be withheld upon at a rate of 30% unless a lower treaty rate applies. The remaining gain, if any, will generally be capital gain and will generally be long-term capital gain if you held your shares of Price common stock for more than one year. You are urged to consult your own tax advisor to determine the tax treatment of any gains recognized pursuant to the Reorganization. For purposes of the foregoing, the amount of cash you receive is deemed to include your ratable share of the expected residual value, if any, of any cash or other property deposited by Price in a liquidating trust for the benefit of its

shareholders. Because you will be deemed to receive the expected residual value of amounts deposited in a liquidating trust at the time they are deposited, you may be subject to tax on that residual value prior to its actual receipt by you. If, after all claims against Price are satisfied, the amount you actually receive is either greater than or less than the amount previously deemed to have been received by you, you may be required to recognize gain or loss, respectively, in the year of receipt. The treatment of such gain or loss is unclear; you are urged to consult your own tax advisor;

- A U.S. Holder who receives Verizon common stock will have an adjusted tax basis in the Verizon common stock received in the Reorganization equal to the adjusted tax basis of its shares of Price common stock, increased by any gain recognized (including any portion of the gain that is treated as a dividend), and decreased by the amount, if any, of cash received;
- The holding period for shares of Verizon common stock received will include the holding period for the shares of Price common stock; and
- If a holder's shares of Price common stock have differing tax bases and/or holding periods, the preceding rules must be applied separately to each identifiable block of shares.

#### Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with any cash received by a holder of Price common stock pursuant to the Reorganization, unless such holder is an exempt recipient (such as a domestic corporation).

Backup withholding at the rate specified in the Internal Revenue Code may apply to cash paid to a Price shareholder in the dissolution unless he or she provides an applicable exemption or a correct taxpayer identification number and otherwise complies with the requirements of the backup withholding rules. A shareholder who is a U.S. Holder will be required to provide a properly executed IRS Form W-9 (or the substitute Form W-9 included in the letter of transmittal to be delivered to such shareholder in connection with the Reorganization) in order to claim exemption from withholding.

Any amount withheld under the backup withholding rules will be allowed as a refund or credit against U.S. federal income tax liability if the required information is furnished to the IRS. The IRS may impose a penalty upon any taxpayer that fails to provide the correct taxpayer identification number.

#### Reporting Requirements

You will be required to retain records pertaining to the Reorganization and to file with your U.S. federal income tax return for the year in which the Reorganization takes place a statement setting forth facts relating to the Reorganization, including:

- the cost or other basis of your shares of Price;
- and the fair market value of the Verizon common stock and the amount of cash you receive in the Reorganization.

#### Federal Income Tax Treatment of the Alternative Reorganization

If the proposed dissolution is not approved, it is expected that PCW, which is a wholly owned subsidiary of Price and currently holds the Verizon Partnership interest, will be dissolved. In such case, although the matter is not entirely free from doubt, the Alternative Reorganization will be treated for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, and Verizon Communications and PCW will each be a party to that reorganization within the meaning of Section 368(b) of the Internal Revenue

Code. Assuming such treatment is correct neither Price nor PCW will recognize any gain or loss for federal income tax purposes as a result of the Alternative



Reorganization. However, Price will have a tax basis in the Verizon common stock received equal to the adjusted basis of its PCW stock. As a result, it is expected that a significant amount of gain will be recognized by Price upon its disposition of the Verizon common stock. Holders of Price common stock will not receive any cash or Verizon common stock pursuant to the Alternative Reorganization. Accordingly, holders of Price common stock will not recognize gain or loss as a result of the Alternative Reorganization.

This discussion of material U.S. federal income tax consequences is not a complete analysis or description of all potential federal income tax consequences of the Reorganization or the Alternative Reorganization. This discussion does not address tax consequences that may vary with, or are contingent on, individual circumstances. In addition, it does not address any non-income tax or any foreign, state or local tax consequences of the Reorganization or the Alternative Reorganization. **Accordingly, we strongly urge each Price shareholder to consult his or her own tax advisor to determine the particular U.S. federal, state or local or foreign income or other tax consequences to him or her.**

### **Recommendation of the Board of Directors**

**The Board of Directors of our company has unanimously approved the proposed dissolution, subject to shareholder approval, and unanimously recommends that our shareholders vote FOR the proposed dissolution.** In reaching this determination the board of directors considered the following material factors:

- Because an IPO of Verizon Wireless is highly unlikely by August 2006, our interest in the Verizon Partnership will be required to be exchanged for shares of Verizon common stock in August 2006;
- If our company is not dissolved pursuant to a plan on dissolution adopted prior to the exchange and we later sell any Verizon common stock or distribute Verizon common stock to our shareholders, our company and/or our shareholders could recognize a substantial amount of taxable gain which may result in our incurring substantial tax liability;
- If our company is not dissolved pursuant to a plan on dissolution adopted prior to the exchange, we expect the market price of our shares to decline to take into account the substantial tax liability that our company may incur upon any sale or distribution of Verizon common stock;
- Although a majority of our shareholders approved a non-binding, advisory proposal in 2003 that our company seek to acquire a new business, we have been unable to identify or successfully acquire any business that meets the economic and fiduciary requirements of our board of directors;
- If the proposed dissolution is not approved by our shareholders, we may be unable to identify or succeed in acquiring a business that meets the board of directors' economic and fiduciary requirements;
- Even if we successfully consummate an acquisition that meets the board of directors' economic and fiduciary requirements, there can be no assurance that the acquisition will generate returns in excess of the returns that may be realized by our shareholders following the proposed dissolution or that the acquired business will generate losses to offset the significant tax gains that we may recognize upon any disposition of Verizon common stock;
- We currently have only three employees and may not have the infrastructure and management resources to successfully consummate and monitor acquisitions that meet the board of directors' economic and fiduciary requirements;
- If our company continues to hold the Verizon common stock that it receives in the exchange, we could be required to register as an investment company under the Investment Company Act, which



will limit the nature of business activities we can pursue and impose significant regulatory requirements; and

- Our company's president, chief executive officer and treasurer, Robert Price, will vote the shares he owns for the proposed dissolution.

### **Additional Factors to be Considered by Shareholders in Deciding Whether to Approve the Proposed Dissolution**

There are many factors that our shareholders should consider when deciding whether to vote to approve the proposed dissolution. In addition to carefully reviewing all the other information contained in this proxy statement and the documents incorporated herein, you should consider the following risk factors:

#### *No Assurances can be Made on the Amount of any Distribution to Shareholders Following the Proposed Dissolution*

We cannot assure you of the precise nature, amount or timing of any distribution. Uncertainties as to the precise amount of our assets and liabilities make it difficult to predict with certainty the aggregate net value ultimately distributable to our shareholders.

#### *We may not Receive the Approval of a Sufficient Number of our Shareholders*

It may be difficult to obtain the necessary vote for the proposed dissolution. In recent shareholder meetings, 6% to 18% of our shareholders have failed to vote. Any shares that are not voted will be counted as voted against the dissolution proposal.

#### *If our Shareholders do not Approve the Proposed Dissolution, we may Suffer Adverse Tax and Other Consequences*

Unless the company is dissolved and the Verizon common stock is distributed to our shareholders pursuant to a plan of dissolution, our company and/or our shareholders could recognize a substantial amount of taxable gain which may result in us incurring substantial tax liability upon any subsequent sale or distribution of the Verizon common stock. For example, if we were to receive 29,473,000 shares of Verizon common stock and sell all of those shares at \$33.70 per share, which was the closing market price of Verizon common stock on February 28, 2006, the taxable gain resulting from the sale would exceed \$1.2 billion. Additionally, if our company retains Verizon common stock, we may have to register as an investment company under the Investment Company Act, which could significantly limit our company's ability to take advantage of potential business opportunities and would also impose stringent regulatory requirements. See also the Material Federal Income Tax Consequences and Regulatory Approvals sections of this proxy statement.

#### *If We Retain Verizon Common Stock, the Market Value of our Shares Could Suffer*

If our shareholders do not approve the proposed dissolution, the market price of our shares is likely to fall to take into account the potentially significant tax liability that our company may incur and other adverse consequences that it may suffer upon any sale or distribution of the Verizon common stock.

#### *Additional Liabilities and Expenses May Reduce the Amount Available for Distribution to Shareholders*

The actual amount of the company's liabilities, including contingent liabilities, may exceed the amounts shown on our balance sheet. In addition, we could incur additional claims, liabilities and other expenses (such as payroll, regulatory filings, legal expenses, consulting fees and miscellaneous office



expenses) before or after we file the certificate of dissolution. These amounts will reduce the extent to which our assets will be available for distribution to our shareholders.

*The Realizable Value of Our Assets May be Less Than Their Current Market Value*

The market value of our assets may decline, or we may be unable for other reasons to realize the current market value of our assets. In this case, the assets available for distribution to our shareholders will be reduced.

*The Market Price of Verizon Common Stock May Decline*

If the market price of Verizon common stock declines, the potential tax liability that we may realize if the potential dissolution is not approved and we later sell or distribute to our shareholders the Verizon shares would be lower. Any further decline in the market price of Verizon common stock below \$40 per share will not change the number of shares that we will receive in the exchange.

*Distribution of Assets to our Shareholders Could be Delayed*

If the proposed dissolution is approved, we expect to distribute Verizon common stock to our stockholders in August 2007. However, we are currently unable to predict the precise timing of any subsequent distribution. The timing of the distributions will depend on and could be delayed by, among other things, claim settlements with creditors. Additionally, a creditor could seek an injunction against the making of distributions to shareholders on the grounds that the amounts to be distributed were needed to provide for payment of our liabilities and expenses. Any action of this type could delay or diminish the amount available for distribution to shareholders.

*Shareholders Could be Liable for Price's Liabilities up to the Amount of Distribution Received by Them*

If the assets we reserve at the time of any distribution are insufficient to satisfy our remaining liabilities, shareholders may be required to return all or a portion of the amount of their distributions so as to ensure that all of our actual and contingent liabilities are satisfied in full. A shareholder's liability would not, however, exceed the aggregate amount of the distributions that it receives.

## **PROPOSAL 2 □ ELECTION OF DIRECTOR**

### **General**

Our certificate of incorporation provides that our board of directors will have not fewer than three nor more than ten directors, with the actual number being set from time to time by resolution of our board. Our board of directors has fixed the authorized number of directors at five.

Our certificate of incorporation provides that our board of directors will be divided into three separate classes, with the classes to be as nearly equal in number as possible. One class is elected each year to serve a staggered three-year term. The terms of office of the respective classes expire in successive years. At the annual meeting, one current member of our board of directors, Robert F. Ellsworth, is to be reelected to our board of directors to serve for a term of three years until the annual meeting of shareholders in 2009. The nominee, Robert F. Ellsworth, has consented to be named and to serve if elected. Our board of directors has no reason to believe that Mr. Ellsworth will be unable to serve if elected to office and, to the knowledge of our board of directors, Mr. Ellsworth intends to serve the entire term. Should Mr. Ellsworth become unable or unwilling to accept nomination or election, the persons named on the enclosed form of proxy will vote for such other person as our board of directors may recommend.

Our board of directors has determined that Frank Osborn and Stuart B. Rosenstein, current directors of our company, and Robert F. Ellsworth, a current director and nominee for reelection as director, have no material relationship with our company (either directly or indirectly as a partner, shareholder or officer of an organization that has a relationship with our company), other than in his capacity as a director of our company. Based on this determination and the review by our board of directors of the additional general independence requirements under the New York Stock Exchange's listing standards (the "Listing Standards"), our board of directors has determined that each of these directors is an "independent director" under the Listing Standards.

### **Vote Required**

The affirmative vote of a plurality of the votes cast by our shareholders at the annual meeting is required for the election of a director. Abstentions with respect to the election of a director will have no effect on the vote on this matter.

### **Recommendation of the Board of Directors**

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE □FOR□ THE ELECTION OF THE NOMINEE.

**PRINCIPAL SHAREHOLDERS AND SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth information with respect to the beneficial ownership of our common stock as of March 23, 2006 by (1) each person or group known to us who beneficially owns (as defined in the rules of the Securities and Exchange Commission) more than five percent of our common stock, (2) our directors and executive officers individually, (3) all of our directors and executive officers as a group, and (4) the director nominee:

<b><u>Beneficial Owner (1)</u></b>	<b><u>Amount or Nature of Beneficial Owner (2)(3)</u></b>	<b><u>Percentage</u></b>
Robert Price	3,050,140 (3)	5.4%
Frank Osborn	1,000	(4)
Kim I. Pressman	292,559 (3)(5)	(4)
Stuart B. Rosenstein	39,637	(4)
Robert F. Ellsworth	33,313	(4)
All directors and executive officers as a group (5 persons)	3,416,649	6.1%
Atticus Capital L.L.C.	10,668,077 (6)	19.0%
Frederick W. Green and Bonnie L. Smith	4,679,622 (7)	8.3%
Sowood Capital Management LP	4,452,392 (8)	7.9%

- 
- (1) Address for each executive officer and director is our principal executive office located at 45 Rockefeller Plaza, New York, New York 10020.
- (2) Unless otherwise indicated, the persons named in the table have the sole power to vote and direct the disposition of these shares.
- (3) Includes options exercisable within 60 days of March 31, 2005. Excludes 10,500 options for Kim I. Pressman at an option price of \$19.71, which are technically exercisable.
- (4) Less than 1%.
- (5) Excludes 20,403 shares held by Ms. Pressman's children as to which she disclaims beneficial ownership.
- (6) Based on a Form 4 filed with the SEC on May 3, 2005. The Form 4 states that Timothy R. Barakett is an additional reporting person, that Mr. Barakett is the chairman, chief executive officer and managing member of Atticus Capital L.L.C. and certain other affiliated entities and that based on these relationships, he is deemed to be a beneficial owner of the shares of common stock owned by various investment funds and managed accounts as to which such entities and their affiliates act as advisors. The principal address for Mr. Barakett is 152 West 57<sup>th</sup> Street, New York, New York 10019.
- (7) Based on Schedule 13G's filed with the SEC on February 9, 2006. 4,679,622 shares consists of (i) 4,107,998 shares beneficially owned by The Merger Fund; (ii) 15,345 shares beneficially owned by The Merger Fund VL; (iii) 242,947 shares beneficially owned by GS Master Trust; (iv) 139,970 shares beneficially owned by Institutional Benchmarks Series (Master Feeder) Limited; (v) 18,050 shares beneficially owned by MSS Merger Arbitrage 2 and (vi) 155,312 shares beneficially owned by Sphinx Merger Arbitrage, all of which each of Frederick W. Green and Bonnie L. Smith may be deemed to beneficially own by virtue of their respective positions as President (in the case of Mr. Green) and Vice-President (in the case of Ms. Smith) of Westchester Capital Management, Inc., the investment adviser of The Merger Fund and the Merger Fund VL, or by virtue of their position each as a member of Green & Smith Investment Management L.L.C., which is the investment adviser of each of the other private entities listed above. The principal address for each of Mr. Green, Ms. Smith, Westchester Capital Management, Inc., The Merger Fund, The Merger Fund VL and Green & Smith Investment Management L.L.C. is 100 Summit Drive, Valhalla, New York 10595. Each of Mr. Green, Ms. Smith, Westchester Capital Management, Inc., The Merger Fund, The Merger Fund VL and Green & Smith Investment Management L.L.C. disclaim membership in a group.





- (8) Based on a Schedule 13G filed with the SEC on February 14, 2006. The principal address for Sowood Capital Management LP is 500 Boylston Street, 17<sup>th</sup> Floor, Boston, Massachusetts 02116.

**DIRECTORS AND EXECUTIVE OFFICERS**

The following table sets forth information with respect to our directors (including director nominees) and executive officers.

<u>Name</u>	<u>Age (as of December 31, 2005)</u>	<u>Office</u>
Robert Price	73	Director, President, Chief Executive Officer and Treasurer
Kim I. Pressman	49	Director, Executive Vice President, Chief Financial Officer, Assistant Treasurer and Secretary
Frank Osborn	58	Director
Stuart B. Rosenstein	45	Director
Robert F. Ellsworth	79	Director and Nominee for Reelection as Director

The following is a biographical summary of the experience of our executive officers and directors (including the director nominee) named above.

Robert Price has served concurrently as a Director and the Chief Executive Officer and President of our company since 1979, has served as Treasurer of the Company since 1990, and has been a Director of Price Communications Wireless Holdings, Inc. (["Holdings"]) and Price Communications Wireless since 1997. Mr. Price was a Director of PriCellular Corporation (["PriCellular"]) from 1990 until it was acquired by American Cellular Corporation in June 1998. Mr. Price was the President and Assistant Treasurer of PriCellular from 1990 until May 1997 and served as Chairman of PriCellular from May 1997 until June 1998. Mr. Price, an attorney, is a former General Partner of Lazard Freres & Co. Mr. Price has served as an Assistant United States Attorney, practiced law in New York and served as Deputy Mayor of New York City. After leaving public office, Mr. Price became Executive Vice President of The Dreyfus Corporation and an Investment Officer of The Dreyfus Fund. In 1972 he joined Lazard Freres & Co. Mr. Price has served as a Director of Holly Sugar Corporation, Atlantic States Industries, The Dreyfus Corporation, Graphic Scanning Corp. and Lane Bryant, Inc., and is currently a member of The Council on Foreign Relations. Mr. Price has served as the Representative of the Majority Leader and President Pro Tem of the New York Senate and as a member of the Board of Directors of the Municipal Assistance Corporation for the City of New York. Mr. Price has also served as the nominee of the Governor of New York State as a trustee of the City University of New York. Since April 2001, he has been commissioner of the New York State Commission of Investigations.

Kim I. Pressman, a certified public accountant, is a graduate of Indiana University and holds an M.B.A. from New York University. Ms. Pressman was elected Executive Vice President & Chief Financial Officer of our company in May 1998 and was elected Secretary in April 2002. Prior to joining the Company in 1984 where she held various offices prior to her election to her current positions, Ms. Pressman was employed for three years by Peat, Marwick, Mitchell & Co., a national certified public accounting firm, and for more than three years thereafter was Supervisor, Accounting Policies for International Paper Company and then Manager, Accounting Operations for Corinthian Broadcasting of Dun & Bradstreet Company, a large group owner of broadcasting stations. Until June 1998, she served as a Director, Vice President and Secretary of PriCellular Corporation for more than the preceding five years.

Frank Osborn has been a director of our company since 2005. Mr. Osborn is the President and CEO of Qantum Communications, a group owner of radio stations. Prior to being President of Qantum Communications, Mr. Osborn was President and CEO of Aurora Communications from 1999 to 2002 and



was Managing Director of Capstar Broadcasting from 1997-1998, other group owners of radio stations. From 1985 to 1997 he was President and CEO of Osborn Communications Corporation, a publicly-held company and from 1983 to 1985 was Senior Vice President/Radio for Price Communications Corporation. He began his career with NBC, where among other positions he held he was Vice President and General Manager of WYNY-FM in New York City. Mr. Osborn received an MBA from the Wharton School of University of Pennsylvania in 1973.

Stuart B. Rosenstein has been a director of our company since August 2000. Mr. Rosenstein is Owner and Managing Member of AMG Capital LLC, a firm which specializes in providing financing and lending to the real estate industry. Mr. Rosenstein co-founded LiveWire Ventures in 1998 and served as its Executive Vice President and Chief Financial Officer until May 2004. LiveWire is a diversified investment and management group focused primarily on companies that provide software and internet products and services for the media, telecom, utility, advertising, and new media industries. From 1990 to June 1998, Mr. Rosenstein was Executive Vice President and Chief Financial Officer of PriCellular Corporation. Mr. Rosenstein began his career with Ernst & Young and was a senior manager there at the time he joined PriCellular Corporation. Mr. Rosenstein is a certified public accountant and a member of the AICPA and New York State Society of CPAs. He is a magna cum laude graduate of the State University of New York.

Robert F. Ellsworth has been a director of our company since 1981 and is a nominee for reelection as a director. Mr. Ellsworth is Chairman of Hamilton BioVentures LLP of San Diego, a venture capital firm and Managing Director of The Hamilton Group, LLC, a private venture group. From 1974 to 1977, Mr. Ellsworth served as an Assistant Secretary and then Deputy Secretary of Defense. Mr. Ellsworth was a General Partner of Lazard Freres & Co. from 1971 to 1974, and served in the United States House of Representatives from 1961 to 1967. Mr. Ellsworth's professional affiliations include the International Institute for Strategic Studies, London; Atlantic Council of the United States, Washington, D.C.; The Council on Foreign Relations, New York; and the American Council on Germany, New York.

### **Meetings of the Board**

Our board of directors met 4 times during the year ended December 31, 2005. Each member of our board attended over 75% of the meetings of the board and the committees of the board of which he or she is a member held during the year while he or she was a member. Our company encourages, but does not require, the members of the board to attend our company's annual meeting of shareholders. All members of the board attended the annual shareholder meeting in May 2005. Our non-management directors may meet in executive session, without management, at any time, and are regularly scheduled for non-management executive sessions at least twice each year. During the year ended December 31, 2005 our independent directors met 4 times in executive session without management. The independent directors select one independent director to preside over each meeting of the independent directors.

In order to communicate with our board of directors as a whole, with non-management directors or with specified individual directors, correspondence may be directed to: Secretary, Price Communications Corporation, 45 Rockefeller Plaza, New York, New York 10020. The Secretary will submit your correspondence to our board of directors or the appropriate committee, as applicable. You may communicate directly with our board of directors, or the non-management directors as a group, or any individual director, by sending correspondence to the board of directors, Price Communications Corporation, 45 Rockefeller Plaza, New York, New York 10020.

### **Committees of the Board**

Our board of directors has an Audit and Finance Committee, a Stock Option and Compensation Committee and a Nominating and Governance Committee.

The Audit and Finance Committee consists of Messrs. Ellsworth, Osborn and Rosenstein. Our board of directors has considered whether the members of the Audit and Finance Committee satisfy the



independence and financial literacy requirements for audit committee members as set forth in the Listing Standards. Our board of directors has concluded that all members satisfy the requirements of the Listing Standards and are independent as defined by Securities and Exchange Commission rules. In addition, our board of directors has concluded that Mr. Rosenstein also qualifies as an audit committee financial expert as defined by Securities and Exchange Commission rules, and has the accounting or related financial management expertise required by the Listing Standards. No member of the Audit and Finance Committee serves on an audit committee of more than three public companies. The Audit and Finance Committee held 5 meetings during 2005. A copy of the written charter of the Audit and Finance Committee may be viewed at our corporate website, [www.pricecommunicationscorp.com](http://www.pricecommunicationscorp.com), under the heading Committees and Charters. In addition, a printed copy of this charter will be provided to any shareholder upon request to Secretary, Price Communications Corporation, 45 Rockefeller Plaza, New York, New York 10020.

The Stock Option and Compensation Committee consists of Messrs. Ellsworth, Osborn and Rosenstein. The Stock Option and Compensation Committee's functions include reviewing and approving arrangements relating to the compensation of our executive officers and administering our 2003 Long Term Incentive Plan. The Stock Option and Compensation Committee also reviews and approves factors to be taken into account relative to our chief executive officer's compensation, evaluates our chief executive officer's performance, determines and approves the chief executive officer's compensation level based on this evaluation and makes recommendations to our board with respect to non-CEO compensation incentive and equity-based plans. It also prepares the report required by the Securities and Exchange Commission's proxy rules to be included in our company's proxy statement or annual report on Form 10-K and performs such other duties and responsibilities set forth in a written charter recently approved by our board of directors and which complies with the Listing Standards. All members of the Stock Option and Compensation Committee are independent directors under the Listing Standards. The Stock Option and Compensation Committee held 3 meetings during 2005. The written charter of the Stock Option and Compensation Committee may be viewed at our corporate website, [www.pricecommunicationscorp.com](http://www.pricecommunicationscorp.com), under the heading Committees and Charters. In addition, a printed copy of this charter will be provided to any shareholder upon request to our Secretary at the address listed above.

The Nominating and Governance Committee consists of Messrs. Ellsworth, Osborn and Rosenstein. The function of the Nominating and Governance Committee is to assist our board of directors by (i) reviewing and recommending for the board's approval certain policies regarding the nomination of directors; (ii) identifying individuals qualified to become directors; (iii) evaluating and recommending for the board's selection nominees to fill positions on the board; (iv) developing and recommending to the board a set of Corporate Governance Guidelines applicable to our company; and (v) overseeing the evaluation of the board and management. In considering possible candidates for election as a director, the Nominating and Governance Committee is guided by the principle that each director (a) be an individual of high character and integrity, (b) be accomplished in his or her respective field, with superior credentials and recognition, (c) have relevant expertise and experience upon which to be able to offer advice and guidance to management, (d) have sufficient time available to devote to the affairs of our company; (e) be able to work with the other members of the board and contribute to the success of our company; (f) represent the long-term interests of our company's shareholders as a whole; and (f) be selected such that the board represents a diversity of backgrounds and experience. Each director must be at least 18 years of age.

All members of the Nominating and Governance Committee are independent directors under the Listing Standards. The Nominating and Governance Committee held 1 meeting during 2005. The written charter of the Nominating and Governance Committee may be viewed at our corporate website, [www.pricecommunicationscorp.com](http://www.pricecommunicationscorp.com), under the heading Committees and Charters. In addition, a printed copy of this charter will be provided to any shareholder upon request to our Secretary at the address listed above.

Shareholders may propose director candidates for consideration by the Nominating and Governance Committee by delivering timely notice in proper written form. To be timely, notice of a



proposed nomination must be delivered to or mailed and received at our principal executive offices at 45 Rockefeller Plaza, New York, New York 10020 not less than 50 days nor more than 90 days prior to our annual meeting of shareholders; provided, however, that if less than 50 days' notice or prior public disclosure of the date of the meeting is given or made to our company's shareholders, the proposed nomination must be received not later than the earlier of (i) the tenth day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made, or (ii) the last business day prior to the meeting date. Proposed nominations must include (a) the name and address, as they appear on our company's books, of the shareholder proposing the proposed nominee, (b) the class and number of shares of our company that are beneficially owned by such shareholder, (c) the proposed nominee's full name, business address, residential address and principal occupation or employment, and qualifications for board membership, (d) the class and number of shares that are beneficially owned by the proposed nominee, and (e) any other information relating to the proposed nominee that is required to be disclosed in connection with the solicitation of proxies for election of directors, or is otherwise required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, or any successor regulation or law. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. Our company will forward all proposed nominations to the Nominating and Governance Committee for consideration. The Committee may, but will not be required to, consider proposed nominations not properly submitted in accordance with this policy. The Committee may request further information from any proposed nominee. All proposed nominees properly submitted to our company (or which the Committee otherwise elects to consider) will be evaluated and considered by members of the Committee using the same criteria as nominees identified by the Committee itself.

#### **Report of the Audit and Finance Committee**

The following is the report of our Audit and Finance Committee with respect to our audited financial statements for fiscal year ended December 31, 2005. This report shall not be deemed to be "soliciting material" or to be "filed" with the Securities and Exchange Commission, nor shall it be incorporated by reference into any future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate it by reference into such filing.

During 2005, the Audit and Finance Committee consisted of Robert F. Ellsworth, Frank Osborn and Stuart B. Rosenstein. Each of such persons is "independent" as defined under the Listing Standards.

The responsibilities of the Audit and Finance Committee are set forth in its written charter, which has been approved by the board of directors and which complies with the Listing Standards. A copy of this charter may be obtained from the Company in the manner described elsewhere in this proxy statement. The function of the Audit and Finance Committee is to assist the board of directors in its oversight of (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications and independence of the Company's outside auditor; and (iv) the performance of the Company's outside auditor. In particular, the Committee shall serve as an independent party to monitor the Company's financial reporting processes and internal control system; discuss the audit conducted by the Company's outside auditor; and provide an open avenue of communication among the outside auditor, management and the board. The Audit and Finance Committee held 5 meetings during 2005.

The Audit and Finance Committee has reviewed and discussed our audited financial statements with management. The Audit and Finance Committee has also discussed with the Company's independent registered public accounting firm, BDO Seidman, LLP, matters relating to the auditors' judgments about the quality, as well as the acceptability, of our accounting principles, as applied in our financial reporting as required by Statement of Auditing Standards No. 61, as amended (Communications with Audit Committees). In addition, the Audit and Finance Committee has discussed with BDO Seidman their independence from management and us, as

well as the matters in the written disclosures received from its independent auditors and required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.

Based on the Audit and Finance Committee's review and discussions referred to above, the Audit and Finance Committee recommended to the board of directors that our audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2005 for filing with the Securities and Exchange Commission.

**Robert F. Ellsworth**  
**Frank Osborn**  
**Stuart B. Rosenstein**  
**(Members of the Audit and Finance**  
**Committee)**

### Directors Compensation

Directors are compensated for their reasonable travel and related expenses in attending (in-person) board of directors or committee meetings, and directors who are not officers or employees receive fees of \$65,000 per annum. No additional fee is paid to directors for attendance at meetings of the board or committees.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth summary information concerning the compensation paid to our chief executive officer and another executive officer for the three years ended December 31, 2005.

<b>Name and Principal Position</b>	<b>Year</b>	<b><u>Annual Compensation</u></b>		<b><u>Long-Term Compensation</u></b>	
		<b><u>Salary (\$)</u></b>	<b><u>Bonus (\$)</u></b>	<b><u>Securities Underlying Options</u></b>	<b><u>All Other Compensation</u></b>
Robert Price	2005	\$ 850,000	\$ 1,000,000	□	□
Chief Executive Officer	2004	\$ 850,000	\$ 1,090,000	52,500	□
and Treasurer	2003	\$ 850,000	\$ 1,025,000	□	□
Kim I. Pressman	2005	\$ 300,000	\$ 500,000	□	□
Executive Vice President,	2004	\$ 300,000	\$ 515,000	52,500	□
Chief Financial Officer	2003	\$ 300,000	\$ 425,000	□	□
and Secretary					

### Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table reflects the number of stock options held by our executive officers on December 31, 2005.



<u>Name</u>	<u>Shares Acquired on Exercise</u>	<u>Value Realized (\$)</u>	<u>Number of Securities Underlying Unexercised Options at Fiscal Year End</u>		<u>Value of Unexercised In-the-Money Options at Fiscal Year End</u>	
			<u>Exercisable</u>	<u>Unexercisable</u>	<u>Exercisable</u>	<u>Unexercisable</u>
Robert Price	□	□	210,000	52,500	□	□
Kim I. Pressman	□	□	270,456	52,500	\$455,273	□

### **Stock Option and Compensation Committee Report on Executive Compensation**

Under the rules of the SEC, this report is not deemed "soliciting material" and is not incorporated by reference in any filing with the SEC under the Securities Act of 1933 or the Securities Exchange Act of 1934.

The Stock Option and Compensation Committee of our board of directors has been composed of three non-employee directors, Robert F. Ellsworth, Frank Osborn and Stuart B. Rosenstein. Each of such persons is "independent" as defined under the Listing Standards. The Committee is responsible for developing and making recommendations to our board of directors with respect to our executive compensation policies and the annual compensation paid to our executive officers and administering our 2003 Long Term Incentive Plan. The Committee believes that our compensation arrangements should enable us to attract and retain highly qualified executive employees, reward individual performance and foster an identity of interest between management and us.

The main objectives of the executive compensation program are:

- to align compensation opportunities with shareholder interests;
- to provide compensation that is competitive when compared with various markets in which the Company competes for executive talent; and
- to divide total compensation between base and incentive compensation components with significant incentive related component.

The Committee has historically viewed stock options as key elements to focus executives on increasing shareholder value.

The Company currently has no operating assets and three employees, including Mr. Price and Ms. Pressman. This report consequently describes the historical elements of our executive compensation program and the current basis on which the compensation of our chief executive officer has been determined.

#### *Annual Compensation*

**Base Salary.** In general, we have historically aligned base pay for executives to be competitive with market rates. The pay review considered level of experience, individual performance against annually established financial and non-financial unit and individual objectives, and competitive market salary rates for similar positions.

**Annual Bonuses.** All executives have historically been eligible for annual bonuses for achieving challenging financial, leadership and operational objectives that are established at the beginning of each



year. To determine annual bonus awards, the Committee performed a detailed review of our and the individual executive's performance.

*Long-term Incentives*

The Company has historically used stock options to link executive compensation to our longer term internal performance and to external market performance of our stock price.

Stock options have historically been granted to executives and other key personnel with an exercise price equal to the market price of the stock on the date of grant. The potential future value of stock options has been dependent solely upon the future increase in the price of our stock. Stock option award levels have been based on each recipient's position level and performance as well as the competitive level of option grants for comparably situated executives. The exercise price of option grants has historically typically been equal to 100 percent of the market price of the Company's common stock on the grant date. Options have a ten-year exercise period, and typically become exercisable in installments during the first two years following their grant.

Annual grants of restricted stock are not presently part of our executive compensation program. However, grants of restricted stock may occur in the future as warranted by changing competitive conditions.

Most of the Company's outstanding stock options (which are held by Mr. Price and Ms. Pressman) were granted with an exercise price significantly in excess of the market price of the stock on the date of grant, with the remainder having been granted with an exercise price at the then market price. On February 16, 2006, the company repurchased options to purchase 210,000 shares of the Company's common stock from each of Mr. Price and Ms. Pressman at \$1.00 per share.

*Compensation of the Chief Executive Officer*

The Company currently has no operating assets. Consequently, the Committee believes that the best measure of Mr. Price's contribution to shareholder value is the long-term performance of the Company's stock in comparison to other wireless telephone companies and that, in setting compensation, the Committee should also take into account compensation received by chief executive officers of other wireless telephone companies. Mr. Price's compensation currently includes base salary and annual bonuses and has in the past included (and may in the future include) stock option grants.

Mr. Price's annual base salary for 2005 was \$850,000 and his annual bonus for 2005 was \$1,000,000. The salary and bonus figures were based on the Committee's evaluation of the long-term performance of the Company's stock in comparison to the stock of other wireless telephone companies and the compensation paid to the chief executive officers of other wireless telephone companies.

Pursuant to Section 162(m) of the Internal Revenue Code compensation exceeding \$1 million paid to our executive officers may not be deducted by us unless such compensation is performance based and paid pursuant to criteria approved by our shareholders. The Committee considered the provisions of Section 162(m) in setting 2005 compensation paid to Mr. Price.

**Robert F. Ellsworth  
Frank Osborn  
Stuart B. Rosenstein  
(Members of the Stock Option and  
Compensation Committee)**



### STOCK PRICE PERFORMANCE

The following graph shows the five year cumulative total return (change in the year-end stock price plus reinvested dividends) to our shareholders compared to the Standard & Poor's 500 Index and the Standard & Poor's Cellular/Wireless Telecommunications Industry Index cumulative total return. The graph assumes investment of \$100 on December 31, 2000 in our common stock, the Standard & Poor's Cellular/Wireless Telecommunications Industry Index and the Standard & Poor's 500 Index and the reinvestment of dividends. The companies represented in the Standard & Poor's Cellular/Wireless Telecommunications Industry Index are not necessarily similar in size to us and include some companies larger than us. The stock price performance shown on the graph is not necessarily indicative of future price performance.

#### Total Return to Shareholders (Dividends reinvested monthly)

Company/Index	Total Return to Shareholders (Dividends reinvested monthly) Annual Return Percentage Year Ending December 31,					
	2000	2001	2002	2003	2004	2005
Price Communications Corporation	100.00	13.55	-27.55	-0.72	42.17	-20.01
S&P 500 Index	100.00	-11.89	-22.10	28.68	10.88	4.91
S&P 500 Wireless Telecommunications Services	100.00	-21.65	-59.70	77.72	57.34	1.89



Company/Index	Base Period 2000	Indexed Returns Ending December 31,				
		2001	2002	2003	2004	2005
Price Communications Corporation	100.00	113.55	82.26	81.67	116.10	92.87
S&P 500 Index	100.00	88.11	68.64	88.33	97.94	102.75
S&P 500 Wireless Telecommunications Services	100.00	78.35	31.57	56.11	88.28	89.95

### Standard & Poor's Valuation

The Standard & Poor's Stock Reports dated March 25, 2006 for our company stated that \$10,000 invested in our common stock five years before the date of such report would have had a value of \$10,919 on the date of such report.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires directors, executive officers and beneficial owners of 10% or more of any class of our equity securities to file with the SEC initial reports of ownership and changes in ownership of our securities. Directors, executive officers and 10% owners are required by SEC regulation to furnish us with copies of all Section 16(a) forms that they file. To our knowledge, based solely on review of the copies of such reports furnished to us and written representations of each our directors and executive officers that no other reports were required to be filed by him or her, we believe that all Section 16(a) filing requirements applicable to our directors, executive officers and 10% owners were timely satisfied during the year ended December 31, 2005.

### RELATED PARTY TRANSACTIONS

There were no transactions with any of our directors, executive officers, 5% shareholders or any of their respective family members since January 1, 2005 that would be required to be reported pursuant to Rule 404(a) of Regulation S-K.

### MATTERS RELATING TO OUR ACCOUNTANTS

#### Fees Paid to Principal Accountant

For the fiscal years ended December 31, 2004 and December 31, 2005, our principal independent accountant during these periods (BDO Seidman, LLP) billed the approximate fees set forth below.

*Audit Fees.* Aggregate fees billed by BDO Seidman in connection with its audit of our consolidated financial statements and internal controls as of and for the year ended December 31, 2004 and its limited reviews of our unaudited condensed consolidated interim financial statements were \$180,000. Aggregate fees billed by BDO Seidman in connection with its audit of our consolidated financial statements and internal controls as of and for the year ended December 31, 2005 and its limited reviews of our unaudited condensed consolidated interim financial statements were \$210,000. Additional fees will be incurred on the audit of the internal controls.

*Audit-Related Fees.* During the last two fiscal years, BDO Seidman has not provided our company with assurance and related services that are not principally related to the audit or review of our consolidated financial statements.

*Tax Fees.* During the last two fiscal years, BDO Seidman has not provided our company with services in connection with tax compliance, tax advice or tax planning.



*All Other Fees.* During the last two fiscal years, BDO Seidman has not billed any other fees to our company.

*Pre-Approval Policies and Procedures.* The Audit and Finance Committee has adopted a policy for pre-approval of the above fees. The Audit and Finance Committee shall, to the extent required by any applicable legal or regulatory requirement, pre-approve all auditing services and permitted non-audit services provided to our company by our outside auditor. To the extent permitted by applicable laws, regulations and NYSE rules, the Committee may delegate pre-approval of audit and non-audit services to one or more members of the Committee. Such member(s) must then report to the full Committee at its next scheduled meeting if such member(s) pre-approved any audit or permitted non-audit services.

All services that are described in "Audit Fees" were approved by the Audit and Finance Committee.

#### **Attendance of Auditors at Annual Meeting**

BDO Seidman, LLP has been engaged as our company's independent auditors for 2006. A representative of BDO Seidman is expected to be present at the annual meeting and available to respond to appropriate questions, and will also have the opportunity to make a statement if such representative so desires.

#### **FINANCIAL INFORMATION**

Financial statements of the Company contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2005 are incorporated herein and made a part hereof.

**WE WILL PROVIDE TO EACH SHAREHOLDER, WITHOUT CHARGE, A COPY OF OUR ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005 AS FILED WITH THE SECURITIES AN EXCHANGE COMMISSION.** To obtain a copy, see the "Where You Can Find More Information" section of this proxy statement.

#### **HOUSEHOLDING OF PROXY STATEMENT**

In accordance with Rule 14a-3(e)(1) under the Exchange Act, one proxy statement will be delivered to two or more shareholders who share an address, unless we have received contrary instructions from one or more of the shareholders. We will deliver promptly upon written or oral request a separate copy of this proxy statement to any shareholder at a shared address to which a single copy of the proxy statement was delivered. Requests for additional copies of this proxy statement, and requests that in the future separate proxy statements be sent to stockholders who share an address, should be directed to Price Communications Corporation, 45 Rockefeller Plaza, Suite 3200, New York, New York 10020, Attention: Kim I. Pressman, Executive Vice President, Chief Financial Officer and Secretary.

#### **WHERE YOU CAN FIND MORE INFORMATION**

Our company files annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Our SEC filings are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" information into this proxy statement. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information in this document. This proxy statement incorporates



by reference the documents that we have previously filed with the SEC (File No. 1-08309), as set forth in the Documents Incorporated by Reference section of this proxy statement.

We are also incorporating by reference additional documents that we file with the SEC between the date of this proxy statement and the date of our 2006 annual meeting.

Any statement contained in a document incorporated or deemed to be incorporated in this proxy statement by reference will be deemed to be modified or superseded for purposes of this proxy statement to the extent that a statement contained in this proxy statement or any other subsequently filed document that is deemed to be incorporated in this proxy statement by reference modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this proxy statement.

You may already have received some of the documents incorporated by reference, but you can obtain any of them from us or the SEC. Documents incorporated by reference are available from us without charge, excluding all exhibits, unless we have specifically incorporated by reference an exhibit in this proxy statement. Shareholders may obtain these documents incorporated by reference by requesting them in writing or by telephone from the appropriate party at the following address:

Price Communications Corporation  
45 Rockefeller Plaza  
New York, New York 10020  
Tel: (212) 757-5600

If you would like to request documents from us, please do so by [\_\_\_\_\_], 2006 to receive them before the annual meeting. We will send the documents by first-class mail within one business day of receiving your request.

In considering the proposals, you should rely only on the information contained or incorporated by reference in this proxy statement. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement or the documents incorporated by reference herein. This proxy statement is dated [\_\_\_\_\_], 2006. You should not assume that the information in it is accurate as of any date other than that date.

#### **OTHER MATTERS**

It is not anticipated that any other matters will be brought before the annual meeting. If other matters are properly brought before the annual meeting, proxies for shares of common stock will be voted in accordance with the best judgment of the proxy holders.

#### **CODE OF CONDUCT**

In 2004, we adopted a Code of Business Conduct and Ethics that applies to all of our directors, officers and employees and complies with the Listing Standards. A copy of the Code of Business Conduct and Ethics may be viewed at our corporate website, [www.pricecommunicationscorp.com](http://www.pricecommunicationscorp.com), under the heading Code of Conduct. In addition, a printed copy of our Code of Business Conduct and Ethics will be provided to any shareholder upon request to Secretary, Price Communications Corporation, 45 Rockefeller Plaza, New York, New York 10020.

#### **SHAREHOLDERS PROPOSALS FOR 2007 ANNUAL MEETING**

Proposals of shareholders intended to be included in the proxy statement for our 2007 Annual Meeting of Shareholders must be received by us no later than [\_\_\_\_\_], 200[6]. Proposals of shareholders intended to be considered at the 2007 Annual Meeting of Shareholders but not included in the



proxy statement for that meeting must be received by us no later than [\_\_\_\_], 200[7]. Our company may exercise its discretionary voting authority to direct the voting of proxies on any matter submitted for a vote at the 2007 Annual Meeting of Shareholders if notice concerning proposal of such matter is not received prior to [\_\_\_\_], 200[7].

By the order of the Board of Directors,

Kim I. Pressman  
*Executive Vice President, Chief Financial Officer and  
Secretary*

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY CARD AND PROMPTLY MAIL IT IN THE ENCLOSED POSTAGE PREPAID RETURN ENVELOPE. YOUR PROMPT RESPONSE WILL ENSURE THAT YOUR SHARES ARE REPRESENTED AT THE ANNUAL MEETING, AND WILL REDUCE OUR EXPENSE IN SOLICITING PROXIES. IF YOU LATER DECIDE TO ATTEND THE MEETING AND VOTE IN PERSON, YOU MAY DO SO.**

**DOCUMENTS INCORPORATED BY REFERENCE**

This proxy statement incorporates by reference the documents listed below, which contain important business and financial information. The information incorporated by reference is considered part of this proxy statement, except for any information superseded by information contained in this proxy statement.

Proxy Statement/Prospectus on Schedule 14A and Form S-4 Filed on May 31, 2002

Annual Report on Form 10-K Fiscal year ended December 31, 2005

Current Reports on Form 8-K Filed on March 17, 2006

All documents filed by Price under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, after the date hereof and before the date of the annual meeting are deemed to be incorporated by reference into and to be a part of this proxy statement from the date of filing of those documents.

**PRICE COMMUNICATIONS CORPORATION**

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**This proxy is solicited on behalf of the Board of Directors of Price Communications Corporation for the 2006 annual meeting of shareholders on [\_\_\_\_], 2006.** The undersigned appoints Robert Price and Kim I. Pressman, and each of them, with full power of substitution in each, the proxies of the undersigned, to represent the undersigned and vote all shares of Price Communications Corporation common stock that the undersigned may be entitled to vote at the 2006 annual meeting of shareholders to be held on [\_\_\_\_], 2006, and at any adjournments or postponements thereof as indicated on the reverse side.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE FOR A PROPOSAL, THIS PROXY WILL BE COUNTED AS A VOTE IN FAVOR OF THAT PROPOSAL.**

**The Board of Directors recommends a vote FOR each of the proposals below.**

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Mark, Sign, Date and Return the Proxy Card	x	Please sign exactly as your name appears on your stock certificates. When joint tenants hold shares, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.
Promptly Using the Enclosed Envelope	Votes must be indicated (X) in Black or Blue ink.	

1. PROPOSAL THAT THE COMPANY SHOULD BE DISSOLVED AFTER WE RECEIVE VERIZON COMMON STOCK IN EXCHANGE FOR OUR INTEREST IN VERIZON WIRELESS OF THE EAST LP

FOR                       AGAINST                       ABSTAIN

2. TO REELECT ONE DIRECTOR FOR A TERM OF THREE YEARS EXPIRING IN 2009

Nominee: Robert F. Ellsworth    FOR                       WITHHELD

3. In their discretion upon such other matters as may properly come before the meeting.

Shareholder sign here                      Date

\_\_\_\_\_  
Co-Owner sign here

