

OLD SECOND BANCORP INC  
Form 11-K  
June 28, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 11-K**

**ANNUAL REPORT**

**Pursuant to Section 15 (d) of the Securities Exchange Act of 1934**

**x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended December 31, 2010**

**OR**

**o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from            to**

A. Full title of the plan and the address of the plan if different from that of the issuer named below

**Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust**

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

**Old Second Bancorp, Inc.**

**37 South River Street, Aurora, Illinois 60507**

(Address of principal executive offices, including zip)

**(630) 892-0202**

(Registrant's telephone number, including Area Code)

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Financial Statements and Supplemental Schedule

Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

*As of December 31, 2010 and 2009, and the year ended December 31, 2010*

*with Reports of Independent Registered Public Accounting Firms*

Employer Identification #36-3143493

Plan #003

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Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

Financial Statements and Supplemental Schedule

As of December 31, 2010 and 2009, and the year ended December 31, 2010

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**Report of Independent Registered Public Accounting Firm**

To the Administrator of the Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

We have audited the accompanying statement of net assets available for benefits of Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust (the Plan ) as of December 31, 2010 and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and the changes in net assets available for benefits for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets held (at end of year) as of December 31, 2010 is presented for the purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Plante & Moran, PLLC

Chicago, Illinois

June 28, 2011



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**Report of Independent Registered Public Accounting Firm**

To the Administrator of the Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

We have audited the accompanying statement of net assets available for benefits of Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust (the Plan ) as of December 31, 2009 and the related statement of changes in net assets available for benefits for the year then ended (not presented herein). These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Grant Thornton LLP

Chicago, Illinois

June 28, 2010

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Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

Statements of Net Assets Available for Benefits

	2010	December 31,	2009
<b>Assets</b>			
Cash	110,727		122,115
Participant directed investments, at fair value	42,249,578		49,069,469
Notes receivable from participants	804,816		677,246
Employer match contribution receivable	13,790		14,683
Dividend receivable			14,060
Net assets available for benefits	\$ 43,178,911		\$ 49,897,573

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

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Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

Statement of Changes in Net Assets Available for Benefits

	Year Ended December 31, 2010
<b>Additions</b>	
Investment Income	
Net realized and unrealized depreciation in fair value of investments	\$ (4,301,852)
Dividend and interest income	143,722
Net investment loss	(4,158,130)
Participant contributions	1,621,516
Employer match contributions	904,005
Rollover contributions	10,272
Interest income from notes receivable from participants	31,589
Total additions, net	(1,590,748)
<b>Deductions</b>	
Benefit payments to participants	5,114,182
Administrative expenses	13,732
Total deductions	5,127,914
Net decrease	(6,718,662)
Net assets available for benefits:	
Beginning of year	49,897,573
End of year	\$ 43,178,911

The accompanying notes are an integral part of this financial statement.

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Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

Notes to Financial Statements

Years ended December 31, 2010 and 2009

**1. Description of the Plan**

The following is a brief description of the Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust (the Plan). Participants should refer to the Plan document or the summary plan description for a more complete description of the Plan's provisions.

**General**

The Plan is a defined-contribution plan established to provide deferred compensation benefits to eligible employees. Under the Plan, all nonunion employees of Old Second Bancorp, Inc. and certain of its affiliates (collectively, the Company) who have met certain eligibility requirements may elect to participate in the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**Contributions**

Under provisions of the Plan, participants enter into agreements wherein each participant may elect to contribute an unlimited reduction in compensation to the Plan (subject to statutory wage limitations). Maximum contribution limits of compensation may apply for certain highly compensated employees.

Effective May 1, 2009, the Company contributes on behalf of each participant a basic safe harbor matching contribution. This contribution is equal to 100% of the participant's deferral contributions that do not exceed 3% of compensation plus 50% of the deferrals that exceed 3% of compensation but do not exceed 5% of the participant's compensation. Participants are 100% vested in the basic safe harbor matching contribution. For purposes of calculating the safe harbor matching contribution, compensation and deferrals will be determined on the entire Plan year. Participants must complete three months of service to be eligible for matching contributions, with the entry date being the first day of the quarter coincident with or next following the employee's three-month anniversary.

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Profit-sharing contributions are based on amounts determined by the Company's Board of Directors before the end of each year and shall not exceed the maximum amount deductible for federal income tax purposes. Participants must complete one year of service to be eligible for profit-sharing contributions with the earliest entry date being the first of the quarter coincident with or next following their one year anniversary date. Forfeitures are first used to pay Plan expenses. Any remaining forfeitures are used to reduce Company contributions. For year ended December 31, 2010, no Profit Sharing contribution was made by the Company. The Plan used the entire balance of forfeitures of \$39,565 during the year ending December 31, 2010 to reduce the employer matching contributions.

Participants who have attained age 50 before the end of the Plan year are eligible to make additional catch-up contributions. Participants may also contribute amounts representing distributions from other qualified defined benefit or defined contribution plans.

### **Payment of Benefits**

Upon termination of service, disability, retirement, or death, each participant or beneficiary may elect to receive accumulated benefits. The benefit may be paid as a lump-sum amount, a series of installment

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payments or partial distribution(s), as determined by the participant or beneficiary. Under certain circumstances, participants may receive a hardship distribution prior to termination upon approval of the plan administrator. Upon attaining the age of 65, participants are eligible to receive in-service distributions of all vested balances.

**Participant Accounts**

Each participant's account is credited with the participant's contributions and allocations of: (a) Company contributions, and (b) Plan earnings (losses). Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's account.

**Vesting**

Participants are always fully vested in their employee contributions, rollover contributions, and company safe harbor matching contributions, and earnings thereon.

In compliance with the Pension Protection Act of 2006, effective January 1, 2007, the Company has amended the Plan's vesting schedule for profit sharing contributions made for the plan year beginning January 1, 2007. These contributions will vest under a 6 year graded schedule as follows:

Years of vesting service	Nonforfeitable percentage
0-1	0%
2	20%
3	40%
4	60%
5	80%
6	100%

Contributions made prior to the 2007 plan year will continue to vest under the 5-year cliff-vesting schedule.

**Notes Receivable from Participants**

Participants may borrow from their accounts a maximum of the lesser of \$50,000 or 50% of their vested account balance. Note terms generally range from one to five years, except in the case of a note for the purpose of acquiring a primary residence. The term of such note shall be determined by the Company. The notes are secured by the balance in the participant's account and bear a reasonable rate of interest as determined by the Company. Principal and interest are paid ratably through semi-monthly payroll deductions.

**Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to provisions of ERISA. Upon Plan termination, all participants become fully vested in their account balances.

**2. Summary of Significant Accounting Policies**

The following is a summary of significant accounting policies followed by the Plan.

**Basis of Accounting**

The financial statements of the plan are prepared on the accrual basis of accounting.

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**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts included in the financial statements. Actual results could differ from those estimates.

**Adoption of New Accounting Standards**

During 2010, the Plan adopted the provisions of a new accounting standard which requires that defined contribution plans classify participant loans as notes receivable from participants rather than as investments as was previously required. This standard was adopted retroactively and, as a result, the December 31, 2009 participant loans have been reclassified from investments to notes receivable from participants. The adoption of this standard had no impact on the Plan's net assets or changes in net assets.

**Investment Valuation and Income Recognition**

The Plan's investments are reported at fair value. See Note 4 for additional information. Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

**Notes Receivable from Participants**

Notes receivable from participants are recorded at their unpaid principal balances plus any accrued interest. Notes receivable from participants are written off when deemed uncollectible.

**Administrative Expenses**

Certain administrative expenses of the Plan are paid by any available forfeitures and any excess paid by the Company. There were no forfeitures used to pay administrative expenses for year ended December 31, 2010, therefore, the Company paid all administrative fees. The Plan charges participants fees for administrative expenses related to loans and distributions.

**Payment of Benefits**

Benefits are recorded when paid.

### **3. Risk and Uncertainties**

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the financial statements. The Plan has significant investments in Company stock. The Company's loan portfolio is concentrated heavily in residential and commercial real estate loans, which involve risks specific to real estate values and the real estate and mortgage markets in general. Due to the general market decline in residential and commercial real estate, the Company's loan portfolio and stock valuation has declined significantly since 2008. The exposure to residential and commercial real estate could affect the value of the Company's stock in the future.

### **4. Fair Value Measurements**

Fair value is defined as the price that would be received by the Plan for an asset or paid by the Plan to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Plan's principal or most advantageous market for the asset or liability. The fair value hierarchy established, also requires the Plan to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

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Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the Plan has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Plan's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The Plan's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. There were no significant transfers between levels of the fair value hierarchy during 2010.

The following descriptions of the valuation methods and assumptions used by the Plan to estimate the fair values of investments apply to investments held directly by the Plan.

*Registered investment companies and Company stock:* The fair values of *Registered investment companies and Company stock* investments are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

*Common collective trusts:* The fair values of participation units held in common collective trusts, are based on their net asset values, as reported by the managers of the common collective trusts and as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date. The investment objectives and underlying investments of the common collective trusts vary. Some are comprised of a diversified portfolio of common stocks, both domestic and international, as well as open-ended mutual funds. Others are comprised of U.S. Government and government agency fixed income securities, as well as opened mutual funds that invest in the same types of securities. Some also invest in individual fixed income securities issued by the U.S. Government, government agencies, and corporations. In addition, there are four life style funds that are comprised of a mix of the three common collective funds (equity fund, bond fund, and Government securities fund discussed above) and are classified as level 2. Each of the common collective trust funds provides for daily redemptions by the Plan at reported net asset value per unit. The fair values of common collective trusts that invest primarily in securities traded on nationally recognized securities exchanges and active dealer markets are classified within level 2 of the fair value hierarchy. Were the Plan to initiate a full redemption of the collective trust funds, the investment advisor will ensure that securities liquidations will be carried out in an orderly manner. Each of the collective trust funds provides for daily redemptions.

*Money market accounts:* Fair values are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (level 2 inputs).

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Investments measured at fair value on a recurring basis are summarized below:

	December 31, 2010			Total
	Level 1	Level 2	Level 3	
<b>Registered investment compaines</b>				
Large cap domestic equities	\$ 6,503,323	\$	\$	\$ 6,503,323
Mid cap domestic equities	\$ 2,840,749			2,840,749
Small cap domestic equities	630,074			630,074
International equities	2,966,484			2,966,484
Common stock	2,104,804			2,104,804
Money markets		8,156,698		8,156,698
<b>Common collective trusts</b>				
Equity fund		6,297,379		6,297,379
Bond fund		4,069,332		4,069,332
Government securities fund		2,853,839		2,853,839
Asset allocation funds		5,826,896		5,826,896
	\$ 15,045,434	\$ 27,204,144	\$	\$ 42,249,578

	December 31, 2009			Total
	Level 1	Level 2	Level 3	
<b>Registered investment compaines</b>				
Large cap domestic equities	\$ 5,814,824	\$	\$	\$ 5,814,824
Small cap domestic equities	2,394,162			2,394,162
International equities	2,832,734			2,832,734
Common stock	9,687,071			9,687,071
Money markets		9,485,193		9,485,193
<b>Common collective trusts</b>				
Equity fund		6,042,292		6,042,292
Bond fund		3,982,706		3,982,706
Government securities fund		3,013,713		3,013,713
Asset allocation funds		5,816,774		5,816,774
	\$ 20,728,791	\$ 28,340,678	\$	\$ 49,069,469

**5. Investments**

The Plan's investments (including investments bought, sold, and held during the year) appreciated (depreciated) as follows:

	Year Ended December 31, 2010	
Common collective trusts	\$	1,215,494
Common stock		(7,100,762)
Registered investment companies		1,583,416
	\$	(4,301,852)



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Significant investments at end of year are as follows:

	December 31	
	2010	2009
<b>Money Market:</b>		
Schwab Investor Money Fund	\$ 8,156,174	\$ 9,484,627
<b>Old Second National Bank of Aurora Common Collective Trust Funds for Corporate Retirement Plans:</b>		
OSNB Diversified Equity Porfolio	6,297,379	6,042,292
OSNB Bond Fund	4,069,332	3,982,706
OSNB Government Securities Fund	2,853,839	3,013,713
OSNB Balanced Fund	2,327,990	2,039,567
<b>Registered Investment Companies:</b>		
American Funds Growth Fund of America R2	2,798,806	2,772,498
Buffalo Mid Cap Fund	2,840,749	N/A
Dodge & Cox International Stock Fund	2,556,382	2,427,270
Dodge & Cox Stock Fund	2,420,579	1,966,569
Old Second Bancorp, Inc. common stock	2,104,804	9,687,071

**6. Income Tax Status**

The Plan is a prototype plan. The prototype plan has received a favorable opinion letter dated March 31, 2008 from the Internal Revenue Service ( IRS ) that the prototype plan, as designed, is qualified for federal income tax-exempt status. The Plan has been amended since receiving the opinion letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRS and therefore believes that the Plan is qualified and that the related trust is tax-exempt. The Plan has not individually sought a determination from the IRS on its qualification status.

**7. Related Party Transactions**

Certain Plan investments such as the common collective trusts are managed by Old Second National Bank, a subsidiary of the Company. The Plan also holds Company stock. Old Second National Bank is the trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions.

The Charles Schwab Trust Company is a custodian of the Plan and the Plan has investments in a Charles Schwab money market fund, therefore, these transactions qualify as party-in-interest transactions.

Old Second National Bank provides certain accounting, administrative and investment management services to the Plan for which no fees are charged.

**8. Plan Amendments and Subsequent Events**

Effective January 1, 2011, the Plan was amended to eliminate the Basic Safe Harbor Match Employer contribution and replace it with a Discretionary Employer Match contribution.

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Supplemental Schedule

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Old Second Bancorp, Inc. Employees

401(k) Savings Plan and Trust

Schedule H, Line 4i Schedule of Assets

(Held at End of Year)

EIN #36-3143493 Plan #003

**December 31, 2010**

Identity of Issuer/Description	Units/ Shares	Current Value
<b>Money Market</b>		
Schwab Investor Money Fund	8,156,174	\$ 8,156,174
Schwab retirement Advtg Money Fund	524	524
<b>Common Collective Trust Funds</b>		
<b>The Old Second National Bank of Aurora Common Trust Fund for Corporate Retirement Plans</b>		
Diversified Equity Portfolio*	140,968	6,297,379
Bond Fund*	23,813	4,069,332
Government Securities Fund*	51,184	2,853,839
Conservative Fund*	41,896	545,880
Balanced Fund*	141,609	2,327,990
Growth Fund*	186,775	2,050,111
Aggressive Fund*	53,020	902,915
<b>Registered Investment Companies</b>		
American Funds Growth Fund of America R2	94,141	2,798,806
Buffalo Mid Cap Fund	167,992	2,840,749
Dodge & Cox International Stock Fund	71,587	2,556,382
Dodge & Cox Stock Fund	22,463	2,420,579
Morgan Stanley International Equity A	30,132	410,102
Schwab Small Cap Index	29,847	630,074
Vanguard Index Trust 500 Portfolio	11,086	1,283,938
<b>Common Stock</b>		
Old Second Bancorp, Inc. common stock*	1,238,120	2,104,804
<b>Notes receivable from participants*, interest rates of 3.25% to 8.25%</b>		804,816
		\$ 43,054,394

\*Represents a party in interest to the Plan.

Cost information is not applicable as the Plan is participant directed.

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report letter dated June 28, 2011 with respect to the financial statements of Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust on Form 11-K as of December 31, 2010 and for the year then ended. We hereby consent to the incorporation by reference of said report in the Registration Statement of Old Second Bancorp, Inc. on Form S-8 (File No. 333-38914, effective June 9, 2000 and File No. 333-137262, effective September 12, 2006).

/s/ Plante & Moran, PLLC

Chicago, Illinois

June 28, 2011

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CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated June 28, 2010, with respect to the statement of net assets available for benefits of Old Second Bancorp, Inc. Employees 401(k) Savings Plan and Trust on Form 11-K as of December 31, 2009. We hereby consent to the incorporation by reference of said report in the Registration Statement of Old Second Bancorp, Inc. on Form S-8 (File No. 333-38914, effective June 9, 2000 and File No. 333-137262, effective September 12, 2006).

/s/ Grant Thornton, LLP

Chicago, Illinois

June 28, 2011

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**SIGNATURES**

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

OLD SECOND BANCORP INC.

BY: /s/ William B. Skoglund  
William B. Skoglund  
  
Chairman of the Board, Director  
President and Chief Executive Officer  
(principal executive officer)

BY: /s/ J. Douglas Cheatham  
J. Douglas Cheatham  
  
Executive Vice-President and  
Chief Financial Officer, Director  
(principal financial officer)

DATE: June 28, 2011