

HAWTHORN BANCSHARES, INC.  
Form DEF 14A  
April 24, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A  
(Rule 14a-101)  
INFORMATION REQUIRED IN PROXY STATEMENT  
SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
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 Rule 14a-12

Hawthorn Bancshares, Inc.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (Check the appropriate box):

No fee required.

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(1)

Title of each class of securities to which transaction applies:

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Hawthorn Bancshares, Inc.  
132 East High Street  
Jefferson City, Missouri 65101  
April 24, 2019

Dear Shareholder:

You are invited to attend the annual meeting of shareholders of Hawthorn Bancshares, Inc. to be held at Hawthorn Bank located at 3600 Amazonas, Jefferson City, Missouri, on Tuesday, June 4, 2019, commencing at 9:00 a.m., local time.

We are relying on a rule of the Securities and Exchange Commission that allows us to furnish our proxy statement and related proxy card, as well as our 2018 Annual Report, to shareholders over the internet. This means our shareholders will receive only a notice containing instructions on how to access the proxy materials over the internet and vote online. If you receive this notice but would still like to request paper copies of our proxy materials, please follow the instructions on the notice or on the website referred to on the notice. By delivering proxy materials electronically to our shareholders, we can reduce the costs of printing and mailing our proxy materials. Please visit [www.voteproxy.com](http://www.voteproxy.com) for more information about the electronic delivery of proxy materials.

The business to be conducted at the annual meeting is described in the accompanying notice of annual meeting and proxy statement. At this year's meeting, the agenda includes the election of two Class III directors and a proposal to ratify the selection of our independent registered public accounting firm. In addition, there will be an opportunity to meet with members of senior management and review the business and operations of our Company.

Your vote is important. Whether or not you plan to attend the meeting, please cast your vote as soon as possible.

Specific voting instructions appear on the enclosed proxy card or voting instruction form.

We appreciate your continued interest in and support of our Company.

Sincerely yours,

David T. Turner  
Chairman of the Board, President  
and Chief Executive Officer

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Hawthorn Bancshares, Inc.

132 East High Street

Jefferson City, Missouri 65101

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD ON JUNE 4, 2019

The annual meeting of the shareholders of Hawthorn Bancshares, Inc., a Missouri corporation, will be held at Hawthorn Bank located at 3600 Amazonas, Jefferson City, Missouri, on Tuesday, June 4, 2019, commencing at 9:00 a.m., local time, and thereafter as it may from time to time be adjourned, for the following purposes:

1.

To elect two Class III directors to hold office for a term expiring at our 2022 annual meeting of shareholders and until such director's successor is duly elected and qualified or until such director's earlier resignation or removal;

2.

To consider and act upon ratification and approval of the selection of KPMG LLP as our independent registered public accounting firm for the current year; and

3.

To consider and act upon any other matters that properly may come before the meeting.

The proposals referred to above are more fully described in the accompanying proxy statement. An annual report to shareholders for 2018, which contains our audited financial statements, also accompanies this notice of annual meeting and proxy statement.

Our board of directors has fixed the close of business on March 28, 2019 as the record date for the determination of the holders of our common stock entitled to notice of, and to vote at, the annual meeting. We solicit you to give your proxy to vote at the annual meeting by following the specific voting instructions appearing on the enclosed proxy card or voting instruction form, regardless of whether you intend to attend the meeting.

By Order of the Board of Directors

David T. Turner

Chairman of the Board, President

and Chief Executive Officer

April 24, 2019

Jefferson City, Missouri

**YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE FOLLOW THE SPECIFIC VOTING INSTRUCTIONS APPEARING ON THE ENCLOSED PROXY CARD OR VOTING INSTRUCTION FORM AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE MEETING.**

**IMPORTANT NOTICE Regarding the Availability of Proxy Materials for the Shareholder Meeting To Be Held on June 4, 2019.**

This notice of annual meeting and accompanying proxy materials, and access to our proxy voting site, are available to you on the Internet. We encourage you to review all of the important information contained in the proxy materials before voting.

Our Company's proxy statement, annual report and other proxy materials are available at:

[www.hawthornbancshares.com](http://www.hawthornbancshares.com)

Our Company's proxy voting site can be found at: [www.voteproxy.com](http://www.voteproxy.com)

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Hawthorn Bancshares, Inc.  
132 East High Street  
Jefferson City, Missouri 65101

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD JUNE 4, 2019

QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING

Although we encourage you to read this proxy statement in its entirety, we include this question and answer section to provide some background information and brief answers to several questions you might have about the annual meeting.

Why am I receiving these materials?

The board of directors of Hawthorn Bancshares, Inc. is providing these materials to you in connection with our annual meeting of shareholders on June 4, 2019. The information included in this proxy statement relates to the proposals to be voted on at the annual meeting, the voting process, and certain other required information. This proxy statement, the notice of annual meeting of shareholders and the accompanying proxy card or voting instruction form were first sent or given to our shareholders on or about April 24, 2019. As a shareholder of our Company, you are entitled and encouraged to vote on the items of business described in these proxy materials. Your vote is very important. For this reason, our board is requesting that you allow your shares to be represented at the annual meeting by the persons named as proxies on the enclosed proxy card or voting instruction form.

When and where will the annual meeting be held?

The annual meeting of shareholders will be held on Tuesday, June 4, 2019, commencing at 9:00 a.m., local time, at Hawthorn Bank located at 3600 Amazonas, Jefferson City, Missouri. You may obtain directions to the location of the annual meeting by calling us at (573) 761-6100. You do not have to attend the annual meeting to be able to vote.

What matters will be voted on at the annual meeting?

Shareholders will consider and vote upon the following business items at the annual meeting:

•

The election of two Class III directors to hold office for a term expiring at our 2022 annual meeting of shareholders and until such director's successor is duly elected and qualified or until such director's earlier resignation or removal;

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The ratification and approval of the selection of KPMG LLP as our independent registered public accounting firm for the current year; and

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Any other matters that may properly come before the annual meeting.

How does our board of directors recommend that I vote?

Our board of directors recommends that you vote:

•

“FOR” the election of each nominee for director named in this proxy statement; and

•

“FOR” the ratification and approval of KPMG LLP as our independent registered public accounting firm.

#### What shares can I vote?

The only outstanding securities of our Company having voting rights at the annual meeting are the shares of our common stock, \$1.00 par value. Each issued and outstanding share of our common stock as of the close of business on the March 28, 2019 record date for the annual meeting is entitled to one vote on each matter submitted to a vote at the annual meeting. As of the record date, 6,034,843 shares of our common stock were outstanding.

You may vote all shares of our common stock that you held as of the record date. This includes (i) shares held directly in your name as the shareholder of record, (ii) shares held for you as the beneficial owner through a broker, trustee or other nominee, sometimes referred to as shares held in “street name,” and (iii) shares held for you in our Company’s Profit-Sharing 401(k) Plan.

#### How do I submit my vote?

Generally, you may vote your shares by Internet, by telephone, by completing, signing and returning the proxy card or voting instruction form provided to you, or by attending the annual meeting and voting in person. If you vote by Internet or by telephone, you do not need to return the proxy card. You will need to have your proxy card in hand if you vote by Internet or by telephone. Specific voting instructions are found on the proxy card or voting instruction form provided to you.

**Shares held by the shareholder of record.** If your shares are registered directly in your name with our transfer agent, you are considered the shareholder of record, and these proxy materials were sent to you directly. As the shareholder of record, you have the right to grant your proxy vote directly or to vote in person at the annual meeting. We have enclosed a proxy card for you to use.

**Shares held in street name.** If you hold shares in a brokerage account or through some other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, trustee or other nominee, together with a voting instruction form. As the beneficial owner, you have the right to direct your broker, trustee or nominee how to vote your shares by following the instructions on the voting instruction form. Although you may attend the annual meeting, you may not vote these shares in person at the meeting unless you obtain a “legal proxy” from your broker, trustee or nominee. We may require a recent brokerage statement or other proof of ownership for admission to the meeting. You may vote your shares by any of the options listed on the voting instruction form.

**Shares held in our Company benefit plans.** If your shares are held for you in our Company’s Profit- Sharing 401(k) Plan, you are receiving a voting instruction form from the plan trustee or administrator. To vote these shares, you will need to follow the specific voting instructions appearing on the voting instruction form. We must receive your completed voting instruction form by the deadline specified in such form. You may attend the annual meeting, however, you may not vote these shares in person at the meeting.

#### Can I change my proxy vote or revoke my proxy?

If you are a shareholder of record, you may change your vote or revoke your proxy any time before your vote is used at the annual meeting by:

- submitting a valid, later-dated proxy;
- submitting a valid, subsequent vote by telephone or the Internet;
- notifying our corporate secretary in writing that you have revoked your proxy; or
- completing a written ballot at the annual meeting.

Attendance at the annual meeting will not in and of itself constitute a revocation of your proxy.

If you hold shares as the beneficial owner in street name, you may change your vote by submitting new voting instructions to your broker, trustee or other nominee or, if you have obtained a legal proxy from your broker, trustee or

nominee, by voting in person at the annual meeting.

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You may revoke your voting instructions with respect to any shares of common stock you hold in our benefit plans by delivering a valid, later-dated voting instruction form by the deadline specified in the voting instructions furnished by the plan trustee or administrator.

How many votes are needed to conduct business at the annual meeting?

A majority of all outstanding shares of our common stock entitled to vote at the annual meeting must be present or represented by proxy in order to satisfy the quorum requirement for the transaction of business at the annual meeting. Both abstentions and broker non-votes (described below under “What is the effect of a broker non-vote?”) are counted as present and entitled to vote for purposes of determining a quorum. If a quorum should not be present, the annual meeting may be adjourned from time to time until a quorum is obtained.

How are votes counted?

If you are a shareholder of record and you give your proxy, the shares represented by the proxy will be voted in accordance with your instructions. However, if you are a shareholder of record and you give your proxy without providing voting instructions on one or more proposals, your proxy will be voted for those unmarked proposals in accordance with the recommendation of our board of directors (which recommendation is identified above under “How does our board of directors recommend that I vote?”).

If your shares are held in street name through a broker or other nominee, they will be voted in accordance with the voting instructions that you provide. If you do not provide voting instructions, your broker or other nominee is only permitted to vote your shares on proposals that are considered routine under applicable stock exchange rules. It is anticipated that only the proposal to ratify the appointment of KPMG LLP as our independent registered public accounting firm would be considered to be routine.

If your shares are held in our Company’s Profit-Sharing 401(k) Plan, they will be voted in accordance with your voting instructions. If the plan trustee or administrator does not receive voting instructions for shares held in the plan by the deadline specified in the voting instruction form, the shares credited to your account will be voted to “abstain.” If your shares are represented at the meeting and are voted to “abstain” with respect to any nominee or proposal, this will have the same effect as a vote against such nominee or proposal.

What vote is required to approve the proposals at the annual meeting?

**Election of Directors.** Directors are elected by receiving the affirmative vote of a majority of the shares represented at the annual meeting and entitled to vote in the election of directors. Shareholders may vote for or against any nominee for director or may abstain from voting for any or all nominees for director. If your shares are represented at the meeting and are voted to “abstain” with respect to a particular nominee, it will have the same effect as a vote against the nominee. Shareholders do not have cumulative voting rights in the election of directors.

**Other Matters.** Approval of the proposal to ratify and approve the selection of KPMG LLP as our independent registered public accounting firm and all other proposals that properly may come before the annual meeting require the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the particular proposal. Shareholders may vote for or against any proposal at the meeting or may abstain from voting on any such proposal. If your shares are represented at the meeting and are voted to “abstain” with respect to any proposal, this will have the same effect as a vote against the proposal.

What is the effect of a broker non-vote?

A “broker non-vote” occurs when a broker or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the broker or other nominee does not have discretionary voting power with respect to that proposal and has not received instructions from the beneficial owner. If you hold shares in street name through a broker or other nominee and do not vote your shares or provide voting instructions, your broker or other nominee may vote for you on “routine” proposals but not on “non-routine” proposals. It is anticipated that the ratification and approval of the selection of KPMG LLP



as our independent registered public accounting firm would be considered routine, but the election of directors would be considered non-routine. Therefore, if you do not vote on any non-routine proposal or provide voting instructions, your broker or other nominee will not be allowed to vote your shares on such proposal. Broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the annual meeting if the shares are otherwise properly represented at the meeting. Broker non-votes are not counted for purposes of determining the number of shares entitled to vote on any proposal for which the broker or other nominee lacks discretionary authority, and therefore would reduce the number of affirmative votes that are necessary to approve that proposal.

Are there any other matters that will be considered at the annual meeting?

The only items of business that may be properly brought before the annual meeting are the matters set forth in this proxy statement or those brought before the meeting by or at the direction of our board of directors. We are not aware of any business to be acted upon at the annual meeting other than the items described in this proxy statement. Your signed proxy, however, will entitle the persons named as proxy holders to vote in their discretion for any other matter that is properly presented at the meeting.

Who pays the cost of soliciting votes at the annual meeting?

Our board of directors is making this proxy solicitation, and our Company will bear all costs of this solicitation. In addition to the use of the mails, proxies may be solicited personally or by telephone by some of the regular employees of our Company and of our subsidiary bank, at no additional compensation. Our Company may reimburse brokers, banks and other persons holding stock in their names, or in the names of nominees, for their expenses incurred in sending proxy materials to their principals and obtaining their proxies. Our Company requests that brokerage houses and other custodians, nominees and fiduciaries forward the soliciting materials to the beneficial owners of the shares of common stock held of record by such persons. If you choose to access proxy materials or vote by Internet, you are responsible for any Internet access charges you may incur.

Where can I find the voting results of the annual meeting?

We will announce preliminary voting results at the annual meeting and will publish those results in a report on Form 8-K filed with the Securities and Exchange Commission or SEC within four business days of the day on which the annual meeting ends. If the voting results included in such Form 8-K are not final, we will publish the final results in an amended report on Form 8-K within four business days after the final voting results are known.

What should I do if I receive more than one set of proxy materials?

You may receive multiple sets of proxy materials if you hold shares in more than one brokerage account or if you are a shareholder of record and have shares registered in more than one name. Please vote the shares on each proxy card or voting instruction form you receive.

We have adopted a "householding" procedure which allows us, unless a shareholder withholds consent, to send one proxy statement and annual report to multiple shareholders sharing the same address. Each shareholder at a given address will receive a separate proxy card or voting instruction form. If you are receiving multiple sets of proxy materials and wish to have your accounts householded, or if you no longer wish to participate in householding and wish to revoke your consent, call our corporate secretary, Kathleen L. Bruegenhemke, at (573) 761-6179, or send written instructions to our corporate secretary at Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, MO 65101. We will act in accordance with your wishes within 30 days after receiving such notification.

Many brokerage firms participate in householding as well. If you have a householding request for your brokerage account, please contact your broker.

Where may I obtain financial and other information about Hawthorn?

We filed our annual report on Form 10-K for the year ended December 31, 2018 with the SEC on March 14, 2019. Our annual report to shareholders, containing our audited financial statements for 2018, accompanies this proxy statement. This proxy statement, our annual report to shareholders, our Form 10-K, and our other proxy materials are available on our internet website ([www.hawthornbancshares.com](http://www.hawthornbancshares.com)) and on the SEC's internet website ([www.sec.gov](http://www.sec.gov)). Information on any website that we refer to does not constitute part of this proxy statement.

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## MATTERS TO BE CONSIDERED AT THE ANNUAL MEETING

## ITEM 1: ELECTION OF DIRECTORS

What am I voting on?

One of the purposes of this annual meeting is to elect two directors in Class III to serve for a three-year term expiring at the annual meeting of shareholders in 2022 and until such director's successor is duly elected and qualified or until such director's earlier resignation or removal.

What is the structure of our board and how often are directors elected?

Our board of directors consists of seven directors. Our articles of incorporation divides the board into three classes of directors, with directors serving staggered terms of three years and until their respective successors are duly elected and qualified or until their respective earlier resignation or removal. The present terms of Kevin L. Riley and David T. Turner, the two directors in Class III, expire at this annual meeting. Directors in Class I (Philip D. Freeman, Kathleen L. Bruegenhemke and Jonathan D. Holtaway) and Class II (Frank E. Burkhead and Gus S. Wetzel, III) have terms expiring at the time of the annual meeting of shareholders in 2020 and 2021, respectively. Our board of directors has determined that Messrs. Burkhead, Freeman, Holtaway, Riley and Wetzel each satisfies the independence requirements of the NASDAQ Global Select Market or NASDAQ.

Who are this year's nominees?

The nominating and corporate governance committee of our board of directors has designated Kevin L. Riley and David T. Turner as the nominees proposed for election at the annual meeting. Each of these nominees currently serves on our board. Unless authority to vote for the nominees or a particular nominee is withheld, it is intended that the shares represented by properly executed proxies in the form enclosed will be voted for the election as directors of Mr. Riley and Mr. Turner. The following table sets forth certain information with respect to each person nominated for election as a director at the annual meeting and each director whose term of office will continue after the annual meeting.

Name	Age	Position With Our Company	Director Since
<b>NOMINEES</b>			
Class III: New term to expire in 2022			
Kevin L. Riley	63	Director	1995
David T. Turner	62	Chairman, President, CEO and Director	1997
<b>DIRECTORS CONTINUING IN OFFICE</b>			
Class I: Term to expire in 2020			
Philip D. Freeman	65	Director	1993
Kathleen L. Bruegenhemke	53	Senior Vice President, Secretary, Chief Operations, Risk Officer and Director	2017
Jonathan D. Holtaway	48	Director	2019
Class II: Term to expire in 2021			
Frank E. Burkhead	47	Director	2014
Gus S. Wetzel, III	40	Director	2018

There is no arrangement or understanding between any director and any other person pursuant to which such director was selected as a director.

What is the business experience of the nominees and of our continuing board members and the basis for the conclusion that each such person should serve on our board?

Described below is the business experience for at least the last five years of each person nominated for election as a director at the annual meeting and each person whose term of office as director will continue after the annual meeting, as well as the specific experience, qualifications, attributes and skills of each such person that led to the conclusion that such person should serve on our board.

Kathleen L. Bruegenhemke has served as a director of our Company and of Hawthorn Bank since March 2017 and as Chief Operating Officer of Hawthorn Bank since January 2017. From October 2014 until December 2016 she served as Columbia Market President. She has served as Senior Vice President and Secretary of the Company since November 1997 and as Chief Risk Officer of the Company since June 2006. From January 1992 until November 1997, she served as Internal Auditor of Hawthorn Bank (or of one of its constituent predecessors). Prior to joining the Bank, Ms. Bruegenhemke served as a Commissioned Bank Examiner for the Federal Deposit Insurance Corporation. Ms. Bruegenhemke is a certified public accountant and possesses considerable expertise in overseeing various finance, regulatory compliance and risk management aspects of community banking, which she attained through over 30 years of service, first as a bank regulator and then as a dedicated employee of Hawthorn Bank. Her expertise, and the customer relationships and community connections she has developed, particularly in the Columbia, Missouri market, will benefit Board discussions and decisions and support the conclusion that Ms. Bruegenhemke should serve on our board.

Frank E. Burkhead has served as a director of Hawthorn Bank and of our Company since July 2014. Mr. Burkhead also serves on our nominating and corporate governance, audit and compensation committees. He is the co-owner of Burkhead & Associates LLC and Burkhead Wealth Management since its founding in 1999. Mr. Burkhead is a certified public accountant and wealth and financial planner licensed in multiple states. Early in his working career, Mr. Burkhead served our Company as a teller in the Jefferson City market. Mr. Burkhead brings business success in over 16 years of experience in the financial planning and tax planning business. Mr. Burkhead contributes a strong accounting background as well as an excellent reputation as a business leader in the central Missouri business community.

Philip D. Freeman has served as a director of Hawthorn Bank (or one of its constituent predecessors) since 1990 and of our Company since 1993. He is the owner of Freeman Properties JCMO, LLC. Mr. Freeman also serves on our nominating and corporate governance, audit and compensation committees. The conclusion that Mr. Freeman should serve on our board is founded on his over 35 years of experience in managing a successful business with compassion, which experience has given him an appreciation for the needs of people in our market and earned him the respect of many in the Jefferson City business community. His leadership on various committees of the board has been accompanied by his development of a high level of competency and expertise in areas of focus for our board, including executive compensation, financial reporting and investor relations.

Jonathan D. Holtaway has served as a director of our Company and of Hawthorn Bank since March 2019. He is President of Ategra Capital Management, LLC, a registered investment advisor founded by Mr. Holtaway in 2005 and based in Vienna, Virginia. He serves as managing member of Ategra GP, LLC, the general partner of Ategra Community Financial Institution Fund, LP, a fund which invests primarily in the securities of companies in the bank and thrift industry. From July 1992 until September 2001, Mr. Holtaway served as Managing Director and Partner of Danielson Associates, an investment banking company which provided advisory services to community financial institutions. It is anticipated that Board discussions and decisions will benefit from his understanding of the fundamentals of community banking derived from his over 25 years of experience as an analyst of, advisor to, and investor in, community banks and other financial institutions.

Kevin L. Riley has served as a director of Hawthorn Bank (or one of its constituent predecessors) and of our Company since 1995. He has been co-owner of Riley Chevrolet Buick GMC Cadillac, Inc. and Riley Toyota Scion, Inc., each a Jefferson City, Missouri automobile dealership since 1986 and 1992, respectively. Mr. Riley also serves on our nominating and corporate governance, audit and compensation committees. Mr. Riley's years of experience in managing successful automobile dealerships (for which customer

financing is an important part) and in regularly coming in contact with people in our market are of value to our Company and led to the conclusion that he should serve on our board. Board discussions and decisions benefit from his knowledge of customer relationship management.

David T. Turner has served as a director of our Company and of Hawthorn Bank (or of its constituent predecessors) since January 1997. He has served as president of our Company since March 2002 and as chairman and chief executive officer of our Company since January 2011. He also currently serves as chairman, chief executive officer and president of Hawthorn Bank. Mr. Turner has served as vice chairman of our Company from June 1998 through March 2002 and as senior vice president of our Company from 1993 until June 1998. He served as president of a predecessor to Hawthorn Bank from January 1997 through March 2002 when he assumed the position of chairman, chief executive officer and president. He served as senior vice president of that same predecessor from June 1992 through December 1996 and as its vice president from 1985 until June 1992. The conclusion that Mr. Turner should serve on our board is founded on his experience in the banking industry and familiarity with Hawthorn Bank and many of its customers. He brings valuable insights gained from his career at Hawthorn Bank in developing and promoting lasting customer relationships, sound ethical practices and a dedicated, service-oriented staff.

Gus S. Wetzel, III has served as a director of our Company since November 2018 and as a director of Hawthorn Bank since April 2017. Mr. Wetzel also serves on our nominating and corporate governance, audit and compensation committees. Mr. Wetzel has held his real estate license with Re/Max Truman Lake for 10 years. He is also currently an owner of Meadows Contracting, LLC and Meadows Development Company where he has actively developed commercial and residential properties for nearly 20 years. Mr. Wetzel is a leader within the Clinton, Missouri business community. Mr. Wetzel's knowledge of the Clinton, Missouri real estate environment and his connections with customers in the community benefit directorate discussions.

What if a nominee is unwilling or unable to serve?

Each of the nominees listed in this proxy statement has indicated his willingness to serve as a director if elected, and the board of directors has no reason to believe that any nominee will be unavailable for election. If, for some unforeseen reason, a nominee becomes unwilling or unable to serve, it is intended that shares represented by the proxies will be voted for the election of such substitute nominee as may be designated by our nominating and corporate governance committee, unless the authority to vote for all nominees or for the particular nominee who has ceased to be a candidate has been withheld.

How does our board of directors recommend that I vote?

Our board of directors recommends that you vote "FOR" the election of Kevin L. Riley and David T. Turner as Class III directors.

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ITEM 2: SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

What am I voting on?

Shareholders are being asked to ratify and approve the selection of KPMG LLP as our independent registered public accounting firm for the year ending December 31, 2019. The selection of KPMG LLP was made by the audit committee of our board of directors. KPMG LLP has served as our independent auditor since 1993. In connection with the audit of our financial statements and internal control over financial reporting, our Company entered into an engagement agreement with KPMG LLP which sets forth the terms by which KPMG LLP will perform audit services for our Company. That agreement may be subject to alternative dispute resolution procedures. The ratification and approval by shareholders of the selection of KPMG LLP effectively would also be a ratification of that agreement.

What services do the independent registered public accountants provide?

Audit services provided by KPMG LLP for 2018 included the examination of the consolidated financial statements of our Company and services related to our periodic filings with the SEC. Audit services also included an assessment of our Company's internal control over financial reporting as of December 31, 2018 for the purpose of expressing an opinion on the effectiveness of our Company's internal control over financial reporting. The services provided by KPMG LLP are more fully described in this proxy statement under the captions "Audit Committee Report" and "Independent Auditor Fees and Services."

Will a representative of KPMG LLP be present at the meeting?

One or more representatives of KPMG LLP may be present at the annual meeting. If present, any such representative will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from shareholders.

What if this proposal is not approved?

Shareholder ratification and approval of the audit committee's selection of KPMG LLP as our independent registered public accounting firm is not required by any statute or regulation or by our bylaws. Nevertheless, if the shareholders do not ratify and approve the selection of KPMG LLP at the annual meeting, the audit committee will reconsider the appointment. Submission of our selection of KPMG LLP to the shareholders for ratification and approval will not limit the authority of the audit committee to appoint another independent certified public accounting firm to serve as independent auditor if the present auditor resigns or their engagement otherwise is terminated.

How does our board of directors recommend that I vote?

Our board of directors recommends that you vote "FOR" approval of the selection of KPMG LLP.

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## CORPORATE GOVERNANCE AND BOARD MATTERS

### Board Leadership Structure

Our Company is led by David T. Turner, who has served as our president since March 2002 and as our chief executive officer and chairman of the board of directors since January 2011. Our board of directors is comprised of Mr. Turner and six other directors, including five directors who satisfy NASDAQ's independence requirements. Our corporate governance guidelines provide that our independent directors will meet regularly in executive session. Our Company does not have a member of our board who is formally identified as the lead independent director. However, Philip D. Freeman may fulfill the function of a lead independent director in some respects through his service as chairman of each of our board's three standing committees — the audit committee, the compensation committee, and the nominating and corporate governance committee. Each of the board committees is comprised solely of independent directors. In meetings of the three board committees, as well as separate meetings in executive session, our independent directors are led by Mr. Freeman.

Our board leadership structure has been effective for our Company. We believe that having a combined chief executive officer and chairman of the board and an independent chair for each of our board committees currently provides the right form of leadership for our Company. A combined chairman and chief executive officer role allows for more productive meetings. The chief executive officer is the individual selected by the board of directors to manage our Company on a day-to-day basis, and his direct involvement in our business operations makes him best positioned to lead productive board strategic planning sessions and determine the time allocated to each agenda item in discussions of our Company's short- and long-term objectives. In addition to the leadership provided by our chairman and chief executive officer, we have oversight of Company operations by experienced independent directors who are led by a single independent director.

### Risk Oversight

Although it is management's job to assess and manage our Company's exposure to risk, our board of directors oversees our Company's risk management and establishes policies that govern the process. Our board strives to ensure that risk management is incorporated into our Company's culture, and to foster risk-aware and risk-adjusted decision making throughout the organization. Our board also establishes standards for risk management by approving policies and directives that address and mitigate our Company's most material risks. These include policies and directives addressing credit risk, interest rate risk, capital risk, and liquidity risk, as well as regulatory compliance. Our risk management processes are designed to bring to our board's attention our most material risks through various reports presented by management, including our chief risk officer, internal and external auditors, and regulatory examiners, and to enable our board to understand the risks and how they are addressed.

In overseeing our Company's risk management, our board conducts much of its risk oversight activities through our audit committee, which works closely with our chief risk officer. Our audit committee meets at least quarterly each year with our chief risk officer and other members of management and receives a comprehensive report on enterprise risk management, including management's assessment of risk exposures (including risks related to liquidity, credit, operations and regulatory compliance, among others), and the processes in place to monitor and control such exposures. Our chief risk officer provides a presentation on enterprise risk management to the full board at least once each year. From time to time our audit committee also receives updates between meetings from our chief risk officer, our chief executive officer, our chief financial officer and other members of management relating to risk oversight matters. Our audit committee reports to the full board of directors after each meeting of the committee.

In addition to our audit committee, our board relies on our compensation committee for risk oversight activities within its area of responsibility. Our compensation committee most closely monitors the risks to which our compensation policies and practices could subject us. In performing these functions, the committee considers input from our chief risk officer and other members of management. In 2018, the committee reviewed our compensation programs and determined that they do not subject our Company to unnecessary or excessive risk or motivate staff members to manipulate our earnings and therefore are not reasonably likely to have a material adverse effect on our Company.

#### Communication with the Board

Our board of directors has not established a formal process for shareholders to follow in sending communications to our board or its members, as our policy has been to forward to the directors any shareholder correspondence we receive that is addressed to them. Shareholders who wish to communicate with our board or any of our directors may do so. Such communications must be addressed to our board or any such director in care of our corporate secretary at Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, MO 65101. Alternatively, such communications may be sent by e-mail to [kbruegenhemke@hawthornbank.com](mailto:kbruegenhemke@hawthornbank.com). All such communications will be compiled by our corporate secretary and submitted to our board or the individual director, as applicable, on a periodic basis.

Neither our board of directors nor a specific director is required to respond to a shareholder communication. To avoid selective disclosure, our board or the individual director may respond to a shareholder's communication only if the communication involves information which is not material or which is already public. In such case, our board of directors, as a whole, or the individual director may respond, if at all:

- directly, following consultation with our corporate secretary or other advisors or without additional consultation, as our board determines appropriate;
- indirectly through our corporate secretary or other designated officer, following consultation with our corporate secretary or other advisors or without additional consultation, as our board determines appropriate; or
- pursuant to such other means as our board determines appropriate from time to time.

If the communication involves material non-public information, our board of directors or the individual director will not provide a response to the shareholder concerning such information. Our Company may, however, publicly provide information responsive to such communication if (following consultation with our advisors, as our board determines appropriate) our board determines disclosure is appropriate. In that case, the responsive information will be provided in compliance with SEC Regulation FD and other applicable laws and regulations.

#### Consideration of Director Nominees

In identifying and evaluating director nominees, the nominating and corporate governance committee of our board of directors may receive recommendations from management, from other directors and from shareholders. The committee reviews and considers information on each candidate and evaluates it in light of the needs and requirements of our Company. The committee believes that our board and its committees should be comprised of persons who are of high character and integrity, who have a personal and professional reputation that is consistent with the image and reputation of our Company, and who have expertise that may be useful to our Company. The committee also considers various factors, including the independence of the candidate, as well as his or her education or special skills, areas of expertise, experience, business associations, reputation and other characteristics and qualities that the committee believes are likely to enhance the effectiveness of our board and its committees. In determining whether a director should be retained and stand for re-election, the committee also considers the director's past attendance at meetings and participation in and contributions to the activities of our board and each committee on which such director serves. The committee does not assign specific weights to particular factors and no particular factor is necessarily applicable to all prospective nominees. No person will be eligible to stand for election as a director if he or she has been convicted of a felony without right of further appeal. In addition, no person may serve as a director after the end of the term in which his or her 75th birthday occurred, nor may any person be eligible to stand for election as a director after his or her 75th birthday. The committee does not have a formal policy concerning its consideration of diversity in identifying director nominees. Although the committee may consider diversity in identifying director nominees, it did not do so with respect to the selection of the nominees for this annual meeting. The committee seeks to identify and recruit the best available candidates, without regard to race, color, religion, sex, ancestry, national origin or disability.





Shareholders who wish the nominating and corporate governance committee to consider their recommendations for nominees for the position of director should submit their recommendations in writing to the nominating and corporate governance committee in care of our corporate secretary at Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, MO 65101. All nominees, including those submitted by shareholders in accordance with these procedures, will be evaluated using generally the same methods and criteria described above, although those methods and criteria are not standardized and may vary from time to time. Shareholders also may submit director nominations to our Company in accordance with the procedures described below under “Shareholder Proposals.”

#### Committees of the Board

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee. Members of the committees serve at the pleasure of our board of directors.

**Audit Committee.** The audit committee of our board of directors currently is comprised of Mr. Freeman, its chairman, and Messrs. Burkhead, Riley and Wetzel. Our board of directors has determined that each member of the audit committee is independent as defined by NASDAQ’s independence standards. In addition, our board of directors has determined that Frank E. Burkhead meets the SEC’s definition of an “audit committee financial expert.” The audit committee assists our board in fulfilling its responsibilities with respect to accounting and financial reporting practices and the scope and expense of audit and related services provided by external auditors, among others. The audit committee is responsible for apprising our board of management’s compliance with board mandated policies, internal procedures and applicable laws and regulations. The committee works with the internal audit department and external auditors and supervises the internal audit function directly, reviews and approves the hiring of audit personnel and evaluates the performance of the internal audit function and the external auditors. The committee also has the duty to make, or cause to be made, a suitable examination and audit of the financial affairs of our Company and its subsidiaries at least annually, and to report its findings to our board of directors. A more complete description of the audit committee’s functions is provided in its charter, a copy of which is available on our internet website ([www.hawthornbancshares.com](http://www.hawthornbancshares.com)) under the “Governance Documents” menu tab. The audit committee met nine times during 2018.

**Compensation Committee.** The compensation committee of our board of directors currently is comprised of Mr. Freeman, its chairman, and Messrs. Burkhead, Riley and Wetzel. Our board of directors has determined that each member of the compensation committee is independent as defined by NASDAQ’s independence standards. The committee is responsible for reviewing and making recommendations to our board of directors regarding the compensation and benefits of our executive officers and directors and for establishing and administering our executive compensation program. Our chief executive officer assists the committee from time to time on a variety of compensation matters, including making recommendations for the appropriate salaries and bonuses of our executive officers (other than our chief executive officer). The committee has the authority to consult with management and to engage the services of outside advisors, experts and others to assist it in its efforts. A more complete description of the committee’s functions is provided in its charter, a copy of which is available on our internet website ([www.hawthornbancshares.com](http://www.hawthornbancshares.com)) under the “Governance Documents” menu tab. The compensation committee met two times during 2018.

**Nominating and Corporate Governance Committee.** The members of our nominating and corporate governance committee currently are Mr. Freeman, its chairman, and Messrs. Burkhead, Riley and Wetzel, each of whom is independent, as defined by NASDAQ’s independence standards. This committee is responsible for the director nomination process, including evaluating and recommending director nominees and committee appointments. It also is responsible for various other governance related matters, including an annual board assessment. A more complete description of the committee’s functions is provided in its charter, a copy of which is available on our internet website ([www.hawthornbancshares.com](http://www.hawthornbancshares.com)) under the “Governance Documents” menu tab. The nominating and corporate governance committee met two times during 2018.

### Meetings of the Board

During 2018 our board of directors held six meetings. Each director attended at least 75% of the total meetings of our board of directors and of the committees of our board on which he or she served during that year. Our directors discharge their responsibilities throughout the year, not only at such board of directors and committee meetings, but through personal meetings and other communications with members of management and others regarding matters of interest and concern to our Company. All of our directors are also board members of our subsidiary bank, which meets on a monthly basis.

The independent non-management members of our board of directors regularly hold executive sessions without management present. At least one executive session per year is attended by only independent non-management directors.

Directors are encouraged by our Company to attend our annual meeting of shareholders if their schedules permit, but our Company does not otherwise have a policy regarding such attendance. Each director was present at the annual meeting of the shareholders held in June 2018. The board of directors typically meets immediately following the annual meeting of shareholders, which facilitates the directors' attendance at the annual meeting of shareholders.

### Code of Ethics

Our board of directors has adopted a code of business conduct and ethics applicable to all employees, officers and directors, including our principal executive officer and our principal financial officer. A copy of the code of business conduct and ethics is available without charge to any shareholder who requests it by writing to our corporate secretary at Hawthorn Bancshares, Inc., 132 East High Street, Jefferson City, MO 65101. It also is available on our internet website ([www.hawthornbancshares.com](http://www.hawthornbancshares.com)) under the "Governance Documents" menu tab. Any substantive amendment to, or waiver from, a provision of this code that applies to our principal executive officer or principal financial officer will be disclosed on our internet website and, if required by rules of the SEC or NASDAQ, in reports we file with the SEC.

### Director Compensation

Only outside (non-employee) members of our board of directors receive compensation for their service to our Company as a director. Each of these outside (non-employee) directors receive a monthly retainer of \$1,500 and \$600 for each board and committee meeting attended, respectively.

All directors of our Company are also directors of Hawthorn Bank, and in that capacity may receive compensation from Hawthorn Bank. For their service to Hawthorn Bank as a director, each of Hawthorn Bank's outside (non-employee) directors is paid \$600 for each meeting of the board attended.

Compensation earned in 2018 by each person currently serving as a director during such year (other than any director who is a named executive officer in the summary compensation table under "Executive Compensation and Related Matters" below) for service on our board and its committees is presented in the table below.

Name	Fees		Total (\$)
	Earned or Paid in Cash (\$)(1)	All Other Compensation (\$)	
Frank E. Burkhead	36,700	0	36,700
Philip D. Freeman	36,700	0	36,700
Jonathan D. Holtaway	0	0	0
Kevin L. Riley	36,100	0	36,100