

FIRST MID ILLINOIS BANCSHARES INC  
Form DEF 14A  
March 17, 2009

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 pursuant to Rule 14a-12

FIRST MID-ILLINOIS 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.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

“ Fee paid previously with preliminary materials.

“Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

[Missing Graphic Reference]

March 17, 2009

Dear Fellow Stockholder:

On behalf of the Board of Directors and management of First Mid-Illinois Bancshares, Inc. (the "Company"), I cordially invite you to attend the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. to be held at 4:00 p.m. on April 29, 2009, in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois.

Some of you may have noticed certain changes in the way we are providing proxy materials to you in connection with our 2009 annual meeting. This is because we have elected to provide some of you with access to our proxy materials over the Internet under the Securities and Exchange Commission's new "notice and access" rules. Pursuant to these rules, some of you received in the mail our Notice of Internet Availability of Proxy Materials (the "Notice"), which provided you with instructions on how to access on an internet website this Proxy Statement, the Company's 2008 annual report to stockholders and the Company's Annual Report on Form 10-K for the recently completed fiscal year. Details regarding the business to be conducted at the meeting are described in the Notice and in this Proxy Statement.

At the meeting, we will report on Company operations and the outlook for the year ahead. Directors and officers of the Company, as well as a representative of BKD, LLP, the Company's independent auditors, will be present to respond to any appropriate questions stockholders may have.

I encourage you to attend the meeting in person. Whether or not you plan to attend the meeting, please act promptly to vote your shares. You may vote your shares over the internet or, if you receive or request to receive proxy materials, by mailing, completing, signing and dating a proxy card and returning it in the accompanying postage paid envelope provided. You may also vote your shares by telephone or by following the instructions set forth on the proxy card. Please review the instructions for each of your voting options described in the Notice you may have received in the mail and in this Proxy Statement. If you attend the meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. This will ensure that your shares are represented at the meeting. If you have any questions concerning these matters, please contact me at (217) 258-0415 or Lee Ann Perry, Manager of Shareholder Services, at (217) 258-0493. We look forward with pleasure to seeing and visiting with you at the meeting.

Very truly yours,

FIRST MID-ILLINOIS BANCSHARES, INC.

[Missing Graphic Reference]

William S. Rowland  
Chairman and Chief Executive Officer

1515 Charleston Avenue • P.O. Box 499 • Mattoon, IL 61938 • Phone: (217) 258-0493

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Proxy Statement  
Annual Meeting of Stockholders  
To Be Held April 29, 2009

First Mid-Illinois Bancshares, Inc.  
1515 Charleston Avenue, P.O. Box 499  
Mattoon, Illinois 61938  
(217) 258-0493

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of First Mid-Illinois Bancshares, Inc. (the "Company") to be voted at the Annual Meeting of Stockholders to be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, April 29, 2009 at 4:00 p.m. local time. The Board of Directors would like to have all stockholders represented at the meeting.

Whether or not you plan to attend the Annual Meeting of Stockholders, we encourage you to read this Proxy Statement and submit your proxy as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you may have received in the mail and if you receive or request to receive printed proxy materials, the proxy card. The Company's annual report to stockholders and its Annual Report on Form 10-K for the recently completed fiscal year, which includes the consolidated financial statements of the Company, have been made available with this Proxy Statement.

The Company is a diversified financial services company which serves the financial needs of central Illinois. The Company owns all the outstanding capital stock of First Mid-Illinois Bank & Trust, N.A., a national banking association (the "Bank"), with offices in Mattoon, Charleston, Effingham, Altamont, Neoga, Sullivan, Arcola, Taylorville, Tuscola, Monticello, Urbana, Decatur, Highland, Pocahontas, Champaign, Maryville, Mansfield, Mahomet, and Weldon, Illinois; Mid-Illinois Data Services, Inc., a data processing company ("Data Services"); and The Checkley Agency, Inc., an insurance agency ("Checkley").

Only holders of record of the Company's Common Stock at the close of business on March 2, 2009 (the "Record Date") will be entitled to vote at the annual meeting or any adjournments or postponements of such meeting. On the Record Date, the Company had 6,122,877 shares of Common Stock issued and outstanding. In the election of directors, and for any other matters to be voted upon at the annual meeting, each issued and outstanding share of Common Stock is entitled to one vote.

You may revoke your proxy at any time before it is voted. Unless so revoked, the shares represented by such proxies will be voted at the annual meeting and all adjournments thereof. You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Secretary of the Company at 1515 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, by executing and delivering a subsequently dated proxy, or by attending the annual meeting and voting in person. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, proxies will be voted in accordance with the recommendations of the Board of Directors with respect to the proposals described herein.



A quorum of stockholders is necessary to take action at the annual meeting. The presence, in person or by proxy, of the holders of a majority of the shares of Common Stock of the Company entitled to vote at the meeting will constitute a quorum. Votes cast by proxy or in person at the meeting will be tabulated by the inspector of election appointed for the meeting and will be counted as present for purposes of determining whether a quorum is present. The inspector of election will treat broker non-votes as present and entitled to vote for purposes of determining whether a quorum is present. "Broker non-votes" refers to a broker or other nominee holding shares for a beneficial owner not voting on a particular proposal because the broker or other nominee does not have discretionary voting power regarding that item and has not received instructions from the beneficial owner.

The expenses of solicitation, including the cost of printing and mailing, will be paid by the Company. Proxies are being solicited principally via the Internet and by mail. In addition, directors, officers and regular employees of the Company may solicit proxies personally, by telephone, by fax or by special letter. The Company may also reimburse brokers, nominees and other fiduciaries for their reasonable expenses in forwarding proxy materials to beneficial owners.

#### VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth, as of February 11, 2009, the number of shares of Common Stock beneficially owned by each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock (who are not also directors), each director nominee of the Company, each director, the "named executive officers" (as defined below) and all director nominees, directors and executive officers of the Company as a group. For certain individuals listed below, the number of shares of Common Stock beneficially owned includes the shares of Common Stock into which such individuals may convert their shares of the Company's Series B 9% Non-Cumulative Perpetual Convertible Preferred Stock (the "Preferred Stock"). The Preferred Stock is non-voting stock except with respect to certain fundamental changes in the terms of the Preferred Stock and with respect to certain matters following the Company's failure to pay dividends on the Preferred Stock during four dividend payment periods. Please refer to the footnotes of the following table, and the "Certain Relationships and Related Transactions" section of the Proxy for details.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Common Stock Outstanding
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##### Principal Stockholders

David R. Hodgman c/o Schiff Hardin LLP 6600 Sears Tower Chicago, Illinois 60606	497,448 (3)	7.9% (19)
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Richard Anthony Lumpkin 121 South 17th Street Mattoon, Illinois 61938	629,439 (4)	10.1% (19)
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Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership(2)	Percent of Common Stock Outstanding
Director Nominees, Directors and Named Executive Officers:		
Charles A. Adams 1020 North 13th Street Mattoon, Illinois 61938	590,765 (5)	9.6% (19)
Kenneth R. Diepholz	49,474 (6)	* % (19)
Joseph R. Dively	19,022 (7)	* % (19)
Steven L. Grissom 121 South 17th Street Mattoon, Illinois 61938	569,824 (8)	9.1% (19)
Benjamin I. Lumpkin 121 South 17th Street Mattoon, IL 61938	315,462 (9)	5.1% (19)
Gary W. Melvin RR 1, Box 226 Sullivan, IL 61951	351,060 (10)	5.7% (19)
Sara Jane Preston	35,164 (11)	* % (19)
William S. Rowland	141,201 (12)	2.3% (19)
Ray Anthony Sparks 30 South Country Club Road Mattoon, IL 61938	381,727 (13)	6.1% (19)
Michael L. Taylor	23,201 (14)	* % (19)
John W. Hedges	49,042 (15)	* % (19)
Charles A. LeFebvre	2,367 (16)	* % (19)
Eric S. McRae	12,784 (17)	* % (19)
All director nominees, directors and executive officers as a group (13 persons)	2,541,093 (18)	38.0% (20)





- (1) Addresses are provided for those beneficial owners owning more than 5% of the Company's Common Stock.
- (2) Unless otherwise indicated, the nature of beneficial ownership for shares shown in this column is sole voting and investment power. The information contained in this column is based upon information furnished to the Company by the persons named above.
- (3) The above amount includes 191,974 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 191,974 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990, over which Mr. Hodgman has shared voting and investment power. The above amount also includes 56,750 shares obtainable through the conversion of 250 shares of Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 56,750 shares obtainable through the conversion of 250 shares of Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Hodgman, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 497,448 shares held by these trusts.
- (4) The above amount includes 44,458 shares held by Mr. Richard Lumpkin individually. The above amount also includes 100,483 shares held by SKL Investment Group, of which Mr. Richard Lumpkin is a voting member and of which Mr. Richard Lumpkin has shared voting and investment power; 112,467 shares held by The Lumpkin Family Foundation, of which Mr. Richard Lumpkin serves as a trustee and has shared voting and investment power, and of which beneficial ownership is disclaimed; 306,806 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin, under which Mr. Richard Lumpkin has sole voting and investment power; and 1,665 shares held for the account of Mr. Richard Lumpkin under the Company's Deferred Compensation Plan. The above amount also includes 22,700 shares obtainable through the conversion of 100 shares of Preferred Stock held by The Lumpkin Foundation; 18,160 shares obtainable through the conversion of 80 shares of Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Margaret Keon, of which Mr. Richard Lumpkin has sole voting and investment power; and 22,700 shares obtainable through the conversion of 100 shares of Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin.
- (5) The above amount includes 132,587 shares held by Mr. Adams individually. The above amount also includes 401,523 shares of Common Stock held by a corporation which Mr. Adams is deemed to control; 4,000 shares held by the Howell-Adams Foundation over which Mr. Adams has shared voting and investment power; 49,280 shares held for the account of Mr. Adams under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of Common Stock.
- (6) The above amount includes 19,882 shares held by Mr. Diepholz individually. The above amount also includes 22,842 shares held for the account of Mr. Diepholz under an Individual Retirement Account; and options to purchase 6,750 shares of Common Stock.
- (7) The above amount includes 2,846 shares held by Mr. Dively individually; 3,721 shares held for the account of Mr. Dively under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of common stock. The above amount also includes 9,080 shares obtainable through the conversion of 40 shares of Preferred Stock held by Mr. Dively individually.
- (8) The above amount includes 31,680 shares held by Mr. Grissom individually; and 9,213 shares held jointly with his spouse. The above amount also includes 191,974 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 191,974 shares held by the

Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990, over which Mr. Grissom has shared voting and investment power. The above also includes 18,160 shares obtainable through the conversion of 80 shares of Preferred Stock held by Mr. Grissom jointly with his spouse; 56,750 shares obtainable through the conversion of 250 shares of Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990; and 56,750 shares obtainable through the conversion of 250 shares of Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Grissom, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 497,448 shares held by these trusts. The above amount also includes 2,073 shares held for the account of Mr. Grissom under the Company's Deferred Compensation Plan; and options to purchase 11,250 shares of Common Stock.

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- (9) The above amount includes 281,412 shares held by Mr. Benjamin Lumpkin individually. The above amount also includes 34,050 shares obtainable through the conversion of 150 shares of Preferred Stock held by Mr. Benjamin Lumpkin individually. Mr. Benjamin Lumpkin is also the beneficiary of the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990 which holds 191,974 shares and 250 shares of Preferred Stock convertible to 56,750 shares. Mr. Benjamin Lumpkin does not have beneficial ownership of the shares held by this trust.
- (10) The above amount includes 264,218 shares held by Mr. Melvin individually. The above amount also includes 38,067 shares held for the account of Mr. Melvin under the Company's Deferred Compensation Plan and options to purchase 3,375 shares of Common Stock. The above amount also includes 45,400 shares obtainable through the conversion of 200 shares of Preferred Stock held jointly by Mr. Melvin and his spouse.
- (11) The above amount includes 8,324 shares held by Ms. Preston individually. The above amount also includes 6,510 shares held for the account of Ms. Preston under the Company's Deferred Compensation Plan and options to purchase 11,250 shares of Common Stock. The above amount also includes 9,080 shares obtainable through the conversion of 40 shares of Preferred Stock held by Ms. Preston individually.
- (12) The above amount includes 14,470 shares held by Mr. Rowland individually. The above amount also includes 24,844 shares for the account of Mr. Rowland under an Individual Retirement Account; 8,641 shares held for the account of Mr. Rowland under the Company's 401(k) Plan; 6,396 shares held for the account of Mr. Rowland under the Company's Deferred Compensation Plan; and options to purchase 75,500 shares of Common Stock. The above amount also includes 11,350 shares obtainable through the conversion of 50 shares of Preferred Stock held jointly by Mr. Rowland and his spouse.
- (13) The above amount includes 145,232 held by Mr. Sparks individually. The above amount also includes 86,523 shares held by Sparks Investment Group, LP, and 18,880 shares held by the Sparks Foundation over which Mr. Sparks shares voting and investment power; 1,822 shares by Mr. Sparks' child, over which Mr. Sparks has shared voting and investment power; 19,205 shares held for the account of Mr. Sparks under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of Common Stock. The above amount also includes 83,990 shares obtainable through the conversion of 370 shares of Preferred Stock held by Mr. Sparks individually, and 22,700 shares obtainable through the conversion of 100 shares of Preferred Stock held Sparks Investment Group, LP.
- (14) The above amount includes 1,293 shares held for the account of Mr. Taylor under the Company's 401(k) Plan and options to purchase 21,000 shares of Common Stock. The above amount also includes 908 shares obtainable through the conversion of 4 shares of Preferred Stock held by Mr. Taylor individually.
- (15) The above amount includes 225 shares held by Mr. Hedges individually and 337 shares held jointly with his spouse. The above amount also includes 1,395 shares held for the account of Mr. Hedges under the Company's 401(k) Plan; 5,252 shares held for the account of Mr. Hedges under the Company's Deferred Compensation Plan; and options to purchase 39,563 shares of Common Stock. The above amount also includes 1,135 shares obtainable through the conversion of 5 shares of Preferred Stock held by Mr. Hedges individually, and 1,135 shares obtainable through the conversion of 5 shares of Preferred Stock held jointly by Mr. Hedges and his spouse.
- (16) The above amount includes 482 shares held for the account of Mr. LeFebvre under the Company's Deferred Compensation Plan; and options to purchase 750 shares of Common Stock. The above amount also includes 1,135 shares obtainable through the conversion of 5 shares of Preferred Stock held by Mr. LeFebvre individually.
- (17)

The above amount includes 1,410 shares held for the account of Mr. McRae under the Company's 401(k) Plan and options to purchase 7,969 shares of Common Stock. The above amount also includes 3,405 shares obtainable through the conversion of 15 shares of Preferred Stock held by Mr. McRae individually.

(18) Includes an aggregate of 187,532 shares obtainable upon the exercise of options, and an aggregate 355,028 shares obtainable through the conversion of Preferred Stock.

(19) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options by such individual which are exercisable within 60 days, and the conversion of Preferred Stock held by such individual.

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(20) Percentage is calculated on a partially diluted basis, assuming the exercise of all stock options which are exercisable within 60 days by individuals included in the above table, and the conversion of the Preferred Stock held by such individuals.

\* Less than 1%.

As of February 1, 2009, the Bank acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which own or hold 180,943 shares or 2.9% of the outstanding Common Stock of the Company, over which the Bank has sole voting and investment power with respect to 156,631 shares or 2.6% of the outstanding Common Stock and shared voting and investment power with respect to 24,313 shares or .4% of the outstanding Common Stock.

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## PROPOSAL I - ELECTION OF DIRECTORS

The directors of the Company are divided into Classes I, II and III having staggered terms of three years. For this year's annual stockholders meeting, the Board of Directors has nominated for election as Class II directors, for a term expiring in 2012, Joseph R. Dively, Sara Jane Preston and William S. Rowland. Messrs. Dively and Rowland have served as directors of the Company since 2004 and 1991, respectively. Ms. Preston has served as a director of the Company since 2000. The three individuals receiving the highest number of votes cast will be elected as directors of the Company and will serve as Class II directors for a three-year term. Broker non-votes, because they are not considered votes cast, will not be counted in the vote totals. The Company has no knowledge that any of the nominees will refuse or be unable to serve, but if any of the nominees becomes unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

At a meeting of the Board on January 27, 2009, the Board appointed Benjamin I. Lumpkin to fill a vacancy in the Class III directors created by the death of the Company's former chief executive officer and director, Daniel E. Marvin, Jr. Mr. Benjamin Lumpkin was appointed to serve until the expiration of the Class III directors' term in 2010. Mr. Benjamin Lumpkin was recommended to the Board for appointment to the Board by Mr. Richard Lumpkin, a current stockholder of the Company, a former director of the Company and the father of Mr. Benjamin Lumpkin.

The following table sets forth as to each nominee and director continuing in office, his or her name, age, principal occupation and the year he or she first became a director of the Company. Unless otherwise indicated, the principal occupation listed for each person below has been his or her occupation for the past five years.

Name	Age at March 17, 2009	Principal Occupation	Year First Became Director	Year Term Expires
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## DIRECTOR NOMINEES

Joseph R. Dively	49	Director of the Bank and the Company (since 2004); Senior Vice President of Consolidated Communications Holdings, Inc., a telecommunications holding company, and President of Illinois Telephone Operations, a local telecommunications provider (since 2003); Vice President of Illinois Consolidated Telephone Company, a local telecommunications provider (until 2002).	2004	2009
Sara Jane Preston	68	Director of the Bank (since 1999) and of the Company; Director of Checkley (since 2002); retired President and CEO of Charleston National Bank and the southern Illinois lending operations of its successor organizations (Boatmen's National Bank, NationsBank and BankAmerica).	2000	2009

William S. Rowland	62	Chairman, President, Chief Executive Officer and Director of the Company (since 1999); Executive Vice President (1997-1999), Treasurer and Chief Financial Officer (1989-1999) of the Company; Director of Data Services (since 1989); Director (since 1999), Chairman (since 1999), and Executive Vice President (1989-1999) of the Bank; Director of Checkley (since 2002).	1991	2009
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The Board of Directors recommends a vote "FOR" the election of Directors Dively, Preston and Rowland for a term of three years.



## DIRECTORS CONTINUING IN OFFICE

Charles A. Adams	67	Director of the Bank (since 1989) and of the Company; Director of Data Services (since 1987); Director of Checkley (since 2002); President, Howell Paving, Inc., a road construction company (since 1983).	1984	2010
Ray Anthony Sparks	52	Director of the Bank (since 1997) and of the Company; Director of Data Services (since 1996); Director of Checkley (since 2002); private investor (since 1997); former President of Elasco Agency Sales, Inc. and Electric Laboratories and Sales Corporation, a distributor of electrical supplies (until 1997).	1994	2010
Benjamin I. Lumpkin	36	Director of the Bank (since 2009) and of the Company; Owner of Big Toe Press, LLC, a film production company (since 2004); Member of SKL, LLC Investment Group Finance Committee, a private investment company (since 2000).	2009	2010
Kenneth R. Diepholz	70	Director of the Bank (since 1984) and of the Company; Vice President, Ken Diepholz Chevrolet, Inc., an automobile dealership (since 2000); Vice President, Diepholz Auto Group, an automobile dealer group (since 2003); Owner, Diepholz Rentals, a renter of apartments and commercial real estate property.	1990	2011