IRWIN FINANCIAL CORP
Form DEF 14A
April 18, 2008

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

SCHEDULE 14A

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

Filed by the Registrant x
Filed by a Party other than the Registrant o

Check the appropriate box:

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

Irwin Financial Corporation

(Name of Registrant as Specified In Its Charter)

Irwin Financial Corporation

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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2) Aggregate number of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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o Fee paid previously with preliminary materials.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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Irwin Financial Corporation
500 Washington Street
P.O. Box 929
Columbus, IN 47202-0929
812.376.1909
812.376.1709 Fax
www.irwinfinancial.com

April 18, 2008

NOTICE OF 2008 ANNUAL MEETING OF SHAREHOLDERS

To our Shareholders:

You are cordially invited to attend the 2008 Annual Meeting of Shareholders of Irwin Financial Corporation, to be held at the Yes Cinema, 4th & Jackson Streets, Columbus, Indiana, on Friday, May 30, 2008, at 4:00 p.m. Eastern Daylight Time, for the following purposes:

Proposals:

No. 1. to elect three Directors to serve on the Board until our 2011 annual meeting;

No. 2. to re-approve the Irwin Financial Corporation Amended and Restated 2001 Stock Plan and to amend the Plan to delete the ability to award phantom stock units and add the ability to award restricted stock units; and

No. 3. to act upon the confirmation of independent auditors for 2008.

We recommend that you vote FOR Proposal Nos. 1, 2 and 3.

Other Items:

to hear such reports as may be presented; and

to transact any other business that may properly come before the meeting or any adjournment of it.

Proposal Nos. 1, 2 and 3 are described further in the proxy statement accompanying this Notice.

Registration of shareholders will start at 3:15 p.m. and the meeting will start at 4:00 p.m.

If you received a Notice of Internet Availability of Proxy Materials, it contains instructions on how to access our proxy materials over the Internet and how to vote your shares, as well as how to request a paper copy of our proxy materials by mail or an electronic copy by e-mail.

Your vote is important. Whether or not you plan to attend the meeting, I encourage you to vote your proxy as soon as possible to assure your representation at the meeting. If you are present at the meeting and desire to do so, you may revoke your proxy and vote in person. The back cover of the proxy statement contains a map with directions to the site of the Annual Meeting. Please see the section on General Information and Voting Procedures for instructions on voting your proxy.

MATT SOUZA
Secretary

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500 Washington Street
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PROXY STATEMENT OF IRWIN FINANCIAL CORPORATION

FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD MAY 30, 2008

GENERAL INFORMATION AND VOTING PROCEDURES

We are providing this proxy statement and the accompanying form of proxy (the proxy or proxy card) in connection with the solicitation by our Board of Directors of proxies to be used at our Annual Meeting of Shareholders on Friday, May 30, 2008. The meeting will be held at the Yes Cinema, 4th & Jackson Streets, Columbus, Indiana, at 4:00 p.m. Eastern Daylight Time, or any adjournment thereof. Please see the back cover for a map with directions to the Annual Meeting location. This proxy statement will be sent to shareholders on or about April 18, 2008.

Pursuant to rules recently adopted by the Securities and Exchange Commission (SEC), we have sent a Notice of Internet Availability of Proxy Materials (the Notice) to certain of our registered shareholders and those that hold their shares through brokers, banks, broker-dealers or similar organizations. Shareholders will have access to our proxy materials over the Internet free of charge on the website identified in the Notice. The Notice contains instructions on how shareholders may access our proxy materials through the Internet and how shareholders may request electronic or paper copies if desired. If shares are held by a broker, bank, broker-dealer or similar organization in its name for the benefit of the shareholder, the shareholder is the beneficial owner of shares held in street name, and the Notice will be forwarded to the shareholder by the broker, bank, broker-dealer or similar organization. As the beneficial owner, the shareholder has the right to direct the broker, bank, broker-dealer or similar organization holding the shares how to vote the shares.

We will bear the costs of the solicitation of proxies. In addition to solicitation by mail, proxies may be solicited by our directors, officers and employees, at no additional compensation, by telephone, facsimile transmission, e-mail, and personal interviews or otherwise.

If you are a shareholder of record, you may tell the Corporation s representatives how to vote your shares in one of the following ways:

By telephone You may vote by calling the toll-free telephone number: 1-888-693-8683. Please have your proxy card or Notice available when you call, and follow the simple instructions to record your vote.

On the Internet The website for Internet voting is *www.cesvote.com*. Please have your proxy card or Notice available when you access the website, and follow the simple instructions to record your vote. If you vote on the Internet, you can also request electronic delivery of future proxy materials.

By Mail Be sure to complete, sign and date the paper proxy card or voting instruction card and return it in the postage-paid envelope provided or return it to: National City Bank, P.O. Box 535300, Pittsburgh, PA 15253-9837.

In Person You may vote in person by attending the Annual Meeting of Shareholders.

The availability of telephone and Internet voting for beneficial owners will depend on the voting procedures of your broker, bank or other holder of record. Therefore, we recommend that you follow the voting instructions in the materials you receive.

All shares represented by a proxy, if it is executed and returned using one of the methods above, will be voted as directed by the shareholder. If a shareholder executes and returns a proxy, but makes no direction as to such shareholder s vote, the shares will be voted on each matter to come before the meeting in accordance with the recommendation of the Board of Directors.

A shareholder who votes a proxy may revoke it at any time before it is exercised by giving notice of revocation to our Secretary. Only shareholders of record at the close of business on March 24, 2008 (the record date), will be entitled to vote. On the record date, there were 29,605,664 common shares outstanding. Each common share is entitled to one vote on each matter to be voted on at the meeting.

Shareholders owning a majority of all the common shares outstanding must be present in person or represented by a proxy in order to constitute a quorum for the transaction of business. Based on the number of common shares outstanding on the record date, 14,802,833 shares will be required at the meeting for a quorum.

Proxies returned by brokers with non-votes on any matter on behalf of shares held in street name because the beneficial owner has withheld voting instructions, and proxies returned with abstentions, will be treated as present for purposes of determining a quorum.

However, non-votes and abstentions will not be counted as voting on any matter for which a non-vote or abstention is indicated and will therefore not affect the outcome of those matters.

If you are a participant in the Irwin Financial Corporation Employees Savings Plan and/or the Irwin Mortgage Corporation Retirement and Profit Sharing Plan (the Plans), you have the right to direct Fidelity Management Trust Company (Fidelity), as Trustee of the Plans, regarding how to vote the shares of Irwin Financial Corporation attributable to your individual account under the Plans. Your instructions to Fidelity will be tabulated confidentially. If your voting directions are not received by May 28, 2008, the Trustee may vote the shares attributable to your account as specified by the applicable Plan.

More specific voting information accompanies the Proposals.

Our main offices are located at 500 Washington Street, Columbus, Indiana 47201. Our website is www.irwinfinancial.com.

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SECURITIES OWNERSHIP AND REPORTING

Principal Holders of Irwin Financial Securities

Persons known by management to own beneficially more than 5% of our common shares, as of the record date, are listed below. All of the shares listed are beneficially owned through voting and investment power held solely by the reported owner, except as otherwise indicated.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
William I. Miller 500 Washington Street Columbus, IN 47201	11,376,366 (1)	38.33%
Dimensional Fund Advisors LP 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	2,389,126 (2)	8.14%

(1) Amount and nature of beneficial ownership is as of the record date March 24, 2008. This includes 5,176,038 common shares, which William I. Miller is deemed to beneficially own as the trustee of the J. Irwin Miller Marital Trust II (Trust II) and as to which shares William I. Miller has sole voting and dispositive power. William I. Miller was appointed as the Trustee on April 25, 2006. Previously, Trust II also granted William I. Miller an irrevocable proxy to vote and an option to acquire, subject to certain conditions, 5,160,544 of these common shares. His option to acquire the common shares became exercisable on February 19, 2008 and remains exercisable for a period of two years. William I. Miller disclaims beneficial ownership of the securities held in this trust except to the extent of his potential remainder interest in this trust.

Also includes 5,160,592 common shares deemed to be beneficially held through an irrevocable proxy granted by the IFC Trust under Trust Agreement dated June 29, 1990, Clementine M. Tangeman, Donor (the IFC Trust) and as to which shares William I. Miller has sole voting and dispositive power. On September 7, 2004 the IFC Trust appointed William I. Miller sole trustee, in substitution for his deceased father, J. Irwin Miller. The IFC Trust has granted William I. Miller an irrevocable proxy to vote such common shares, and an option to acquire such common shares, subject to certain conditions. His option to acquire the common shares became exercisable on February 19, 2008 and remains exercisable for a period of two years. William I. Miller disclaims beneficial ownership of the securities held in this trust except to the extent of his potential remainder interest in this trust.

Also includes (i) 22,812 common shares deemed to be beneficially held through William I. Miller s role as the custodian of accounts benefiting his children, (ii) 24,775 common shares held by William I. Miller s spouse, Lynne M. Maguire, as trustee of the 1998 William I. Miller Annual Exclusion Trust (the Exclusion Trust), and (iii) 847,684 common shares beneficially held through employee stock options that are exercisable within 60 days of March 24, 2008. William I. Miller expressly disclaims beneficial ownership of the common shares held as custodian on behalf of his children and the common shares held through the Exclusion Trust.

(2)

The number of shares indicated is determined as of December 31, 2007, pursuant to a filing on Schedule 13G that Dimensional Fund Advisors LP (Dimensional) made with the SEC on February 6, 2008, in which Dimensional reports it has sole voting and depositive power as to all such shares.

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Securities Ownership of Directors and Management

The following information about the ownership of our common shares is given as of the record date, except as noted below, for each of our current directors and the Named Executive Officers (as identified in the Summary Compensation Table in the Compensation section of this proxy statement) individually, and all our current directors and executive officers as a group. Our executive officers are our Chief Executive Officer, Chief Financial Officer, Chief Administrative Officer and line-of-business Presidents. Prior to December 31, 2007, the position of Executive Vice President, which has since been eliminated, was also among this group.

Name	Irrevocable Voting Proxy	Right to Acquire within 60 days of March 24, 2008	Restricted Stock	Total Number of Shares Beneficially Owned (1)	Percent of Class
Sally A. Dean (3)		43,408	5,989	74,762	*
Gregory F. Ehlinger (4)		170,884	22,949	239,213	*
David W. Goodrich (3)		6,225	5,036	35,859	*
R. David Hoover (2)(3)		10,882	10,962	37,739	*
Bradley J. Kime (4)		97,010	7,027	113,368	*
William H. Kling (3)		10,450	5,036	49,254	*
Joseph LaLeggia (4)		32,275	0	42,071	*
Brenda J. Lauderback (3)		20,343	5,036	36,516	*
Jocelyn Martin-Leano (4)		24,995	7,027	32,810	
John C. McGinty, Jr. (3)		15,415	5,036	35,204	*
William I. Miller (2)(3)(4)(5)	10,321,136	847,684	19,582	11,376,366	38.33%
Dayton H. Molendorp (2)(3)		0	4,588	5,588	*
Lance R. Odden (3)		15,415	5,036	41,910	*
Marita Zuraitis (3)		1,125	13,514	18,598	*
Current Directors and Executive Officers as a Group (15 persons) (6)	10,321,136	1,417,644	131,088	12,330,190	41.54%

Thomas D. Washburn (4)(7)	172,890	7,540	227,367	*

* Less than 1%

(1) Includes shares for which directors hold sole voting power but no investment power under our 1999 Outside Director Restricted Stock Compensation Plan. In addition, includes shares for which directors and officers hold sole voting power but no investment power under the Irwin Financial Corporation Amended and Restated 2001 Stock Plan, as amended (the 2001 Stock Plan), (see Restricted Stock column) and shares that directors and executive officers have the right to acquire within 60 days of March 24, 2008. The Total Number of Shares Beneficially Owned column also includes shares not shown in other columns of this table.

(2) Director Nominee

(3) Director

(4) Named Executive Officer

(5) See Footnote 1 to the table under Principal Holders of Irwin Financial Securities.

(6) Shares owned by Mr. Washburn are not included in the total shares owned by Current Directors and Executive Officers as a Group because Mr. Washburn s service as an executive officer ended after December 30, 2007.

(7) Shares owned by Mr. Washburn are based on ownership as of December 31, 2007.

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Mr. LaLeggia received a grant of 7,660 performance-based restricted stock units instead of performance-based restricted stock to avoid adverse tax consequences. In addition, Mr. LaLeggia has a currently exercisable option to purchase 45.02 shares of the common stock of Irwin Commercial Finance Corporation (ICF), an indirect subsidiary of the Corporation. Based on the number of shares currently outstanding, if Mr. LaLeggia exercised his option, he would hold 4.7% of the outstanding shares of ICF common stock.

Mr. Odden owns 1,200 shares of non-convertible preferred stock through the IFC Capital Trust VI.

We believe stock ownership by directors helps align their interests with those of our shareholders. The Governance Committee of the Board of Directors has approved guidelines for director ownership of our common stock. The guidelines include: ownership of our common stock (excluding stock options) equal in value to at least five times the non-stock option portion of the director annual retainer fee (or $150,000, based on the current non-stock option retainer fee portion of $30,000); attainment of the minimum level of ownership within five years of adoption of the guidelines (for directors who were serving at the time the guidelines were adopted) or five years after joining the Board of Directors (for directors whose service began after the guidelines were adopted); and disclosure of the guidelines and director compliance in our annual proxy statement. Apart from the above, we have created no incentives, disincentives or facilitative programs in connection with the guidelines. Because (i) all directors achieved the guidelines in 2006, (ii) all but one director increased his/her ownership of our common stock in 2007, (iii) all directors, except one have stock options in addition to their ownership of our common stock, and (iv) the value of common shares has fallen significantly over the past year, the Governance Committee voted to waive application of the $150,000 value guideline described above for 2007.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (Exchange Act) requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common shares and our other equity securities registered under the Exchange Act. The SEC requires our executive officers, directors, and greater than 10% shareholders to furnish us with copies of all Section 16(a) forms they file.

We inadvertently failed to file a timely Form 4 for the award of restricted stock and stock options in May 2007 to Jody A. Littrell, our principal accounting officer, who remains subject to filing requirements because of his position, but whom we ceased classifying as an executive officer when we reclassified several senior management positions in 2007. A Form 4 was filed on August 23, 2007 in connection with this matter. In addition, one of our directors, Dayton H. Molendorp, purchased stock in September 2007 that was not timely reported. A Form 5 filed on February 12, 2008 reported this transaction. Each of William I. Miller, the IFC Trust and the J. Irwin Miller Marital Trust II filed a Form 4 on February 28, 2008, triggered as a result of the death of Mr. Miller s mother in the week prior to the filing.

With the exception of the filings mentioned above, to our knowledge, based solely on a review of the copies of the reports we received and of written representations that no other reports were required, our executive officers, directors, and greater than 10% shareholders met all applicable Section 16(a) filing requirements for the fiscal year 2007.

CORPORATE GOVERNANCE

Proposal No. 1. Election of Directors

Three directors are to be elected to our Board of Directors at the Annual Meeting in 2008. The three nominees receiving the greatest number of votes at the meeting, either in person or by proxy, will be elected as directors for the ensuing three-year term, as indicated. Proxies granted for use at the Annual Meeting cannot be voted for more than three nominees. Directors who are standing for election at the Annual Meeting are sometimes referred to in this proxy statement as Director Nominees.

Our Board of Directors currently consists of ten members divided into three classes of directors who are elected to hold office for staggered terms of three years as provided in our by-laws.

Director Nominees Hoover, Miller and Molendorp are currently serving three-year terms expiring in 2008.

ON THE RECOMMENDATION OF THE GOVERNANCE COMMITTEE OF OUR BOARD OF DIRECTORS, IT IS PROPOSED THAT DIRECTOR NOMINEES HOOVER, MILLER AND MOLENDORP BE ELECTED AT THE ANNUAL MEETING TO SERVE FOR THREE-YEAR TERMS.

Dayton H. Molendorp was appointed by the Board on February 15, 2007 to fill the remainder of the term of director Theodore M. Solso. Mr. Molendorp was recommended to the Governance Committee for service on our Board by a non-management director. Directors Goodrich, Lauderback, McGinty and Zuraitis are currently serving three-year terms that expire in 2009. Directors Dean, Kling and Odden are currently serving three-year terms that expire in 2010.

The persons named as Proxies on the proxy card will, unless otherwise indicated on the proxy card, vote the shares reflected on the proxy card for the election of the Director Nominees, each of whom has consented to serve and whose biographies are included in the following table. Management has no reason to believe that any of the Director Nominees will be unable to serve. However, should a Director Nominee become unavailable for election, and unless the Board of Directors or the Executive Committee reduces the size of the Board to a number reflecting the number of nominees who are able and willing to serve, the persons named as proxies on the proxy card will vote for a substitute who will be designated by the Board of Directors or the Executive Committee upon recommendation of the Board s Governance Committee.

Any vacancy occurring in the Board of Directors caused by resignation, death or other incapacity, or increase in the number of directors may be filled by a majority vote of the remaining members of the Board of Directors. If a director ceases to serve before his or her term expires, the individual replacing the departing director shall be named to serve the remainder of the departing director s term. Until any such vacancy is filled, the existing directors shall constitute the Board of Directors. Shareholders will be notified of any increase in the number of directors and the name, address, principal occupation, and other pertinent information about any director named by the Board of Directors to fill any vacancy.

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The following table sets forth, as of the record date, the name; year in which the Director Nominee or director was first elected as a director; for Director Nominees, the expiration of the term if elected at this year s annual meeting; for current directors, the expiration of the directors term; principal occupation for the past five years of each Director Nominee or director; the percentage of the total number of meetings of our Board of Directors and meetings of committees of our Board of which the director or Director Nominee is a member attended by each director or Director Nominee during 2007; all other directorships or other positions held by each director and Director Nominee in other corporations subject to the reporting requirements of the Exchange Act and in any investment company; and the age, as of March 24, 2008, of each director and Director Nominee.

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Director Nominees

R. David Hoover*
(Director since 2004; expiration of current term 2008; if elected, expiration of term is 2011)

Mr. Hoover is Chairman, President and Chief Executive Officer of Ball Corporation (a beverage and food packaging and aerospace products and services company). In 2002, he was elected Chairman, and has been the President and CEO since 2001. Mr. Hoover joined Ball Corporation in 1970. Prior to his career with Ball, Mr. Hoover was a corporate financial analyst for Eli Lilly & Co. (a pharmaceutical company), Indianapolis, Indiana. Mr. Hoover serves on the boards of Ball Corporation, Energizer Holdings, Inc. (a consumer/household goods and personal care products company), and Qwest Communications International, Inc. (a telecommunications provider). In 2007, Mr. Hoover attended 87% of our Board and Committee meetings of which he is a member. Age 62.

William I. Miller
(Director since 1985; expiration of term 2008; if elected, expiration of term is 2011)

Mr. Miller has been our Chairman and Chief Executive Officer of the Corporation since August 1990 and was named President in 2003. He is a director of Cummins Inc. (a worldwide diesel engine manufacturer), and a director or trustee, and the independent chair of three mutual funds in the American Family of Funds of the Capital Group (New Perspective Fund, Euro Pacific Growth Fund and New World Fund). He also serves as a trustee of Yale University and a director of the John D. and Catherine T. MacArthur Foundation (a private grantmaking foundation focused on human and community development). In 2007, Mr. Miller attended 100% of our Board meetings. Age 51.

Dayton H. Molendorp*
(Director since February 15, 2007; expiration of term 2008; if elected, expiration of term is 2011)

Dayton H. Molendorp is Chairman of the Board, President and CEO of American United Mutual Insurance Holding Company (American United Mutual), the parent of OneAmerica Financial Partners, Inc. (a nationwide network of companies and affiliates offering a wide variety of retirement plan and insurance products and services). He joined OneAmerica s partner company American United Life Insurance Company® (AUL) in 1987 as Vice President of Individual Marketing Support and was later named Senior Vice President of Individual Operations. In 2003, he was named AUL Executive Vice President, and in 2004 he was named AUL President and CEO. Mr. Molendorp was appointed to his present position as Chairman of American United Mutual in February 2007.

Mr. Molendorp serves as a board member of the Boys & Girls Club of Indianapolis, the Central Indiana Corporate Partnership (CICP), the Indiana Chamber of Commerce, the Indiana University Randall L. Tobias Center for Leadership Excellence (Indiana University Tobias Center) Board of Overseers, LIMRA International (a worldwide association of insurance and financial services companies) and the Skyline Club. He serves on the Advisory Commission for Anderson University and on the Advisory Committee for the Youth for Christ organization (an inter-denominational, Christian youth ministry). In 2007, Mr. Molendorp attended 100% of our Board and Committee meetings of which he is a member. Age 61.

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Current Directors

Sally A. Dean*
(Director since 1995; expiration of term 2010)

Ms. Dean is a retired Senior Vice President of Dillon, Read & Co. Inc. (an investment bank, which is now part of UBS). She serves as Chairman of the Paideia School Endowment Board and is former President of the Board of Trustees, Randolph-Macon Woman s College. In 2007, Ms. Dean attended 100% of our Board and Committee meetings of which she is a member. Age 59.

David W. Goodrich*
(Director since 1986; expiration of term 2009)

Mr. Goodrich serves as a director of Clarian Health Partners, Inc. (a network of healthcare facilities and hospitals), OneAmerica Financial Partners, Inc. (a nationwide network of companies offering retirement plan and insurance products and services), and National Wine and Spirits, Inc. (a distributor of wines and spirits). He served as the President and Chief Executive Officer of the Central Indiana Corporate Partnership (a not-for-profit organization of corporate CEOs and University Presidents) from 1999 through the end of 2005. Mr. Goodrich was President of the Indianapolis, Indiana, Colliers Turley Martin Tucker Company (a realty company) from May 1998 to July 1999 and from January 1986 to May 1998, President of the F.C. Tucker Company s Commercial Real Estate Services Division. He was a director of Indianapolis-based Citizens Gas and Coke Utility through December 2005. Mr. Goodrich is a member of the Board of Overseers of the Indiana University Tobias Center. In 2007, Mr. Goodrich attended 92% of our Board and Committee meetings of which he is a member. Age 60.

William H. Kling*
(Director since 1992; expiration of term 2010)

Mr. Kling has been President and Chief Executive Officer of the American Public Media Group (APMG) since 2000. APMG is the parent company of American Public Media, Minnesota Public Radio, Southern California Public Radio and the Greenspring Company (a diversified media company). Mr. Kling became President of Minnesota Public Radio (a regional network of 38 public radio stations) in 1966, and a director in 1972. In 1987, he became the President of the Greenspring Company. He is a director of The Wenger Corporation, Comcast Cable of St. Paul, and seven funds of the American Funds family of the Capital Group, including serving as the non-executive Chair of The New Economy Fund and SMALLCAP World Fund. He was elected a Regent of St. John s University in 2005. In

2007, Mr. Kling attended 100% of our Board and Committee meetings of which he is a member. Age 65.

Brenda J. Lauderback*
(Director since 1996; expiration of term 2009)

Ms. Lauderback was President of the Retail and Wholesale Group of the Nine West Group, Inc. (a marketer of women s footwear, clothing and accessories) from May 1995 until January 1999. She is a director of Big Lots, Inc. (a close-out retail company), Denny s Corporation, (a full-service family restaurant chain), Select Comfort, Inc. (a bedding retail manufacturer), and Wolverine World Wide, Inc. (a manufacturer of casual and work-related footwear). In 2007, Ms. Lauderback attended 100% of our Board and Committee meetings of which she is a member. Age 57.

John C. McGinty, Jr.*
(Director since 1991; expiration of term 2009)

Mr. McGinty has been the President of Peregrine Associates, Inc. (a healthcare, governance, and leadership consulting firm) since 1997. He was a Managing Director of The Greeley Company (a healthcare leadership consulting, strategic planning, education, and publications firm) from 1997 to 2003, and currently serves as a Senior Consultant. Mr. McGinty was a part-time faculty member at Indiana University from 1997 to 2001. From 1986 to 1997, Mr. McGinty was President and Chief Executive Officer of Southeastern Indiana Health Management, Inc., and Columbus Regional Hospital. In 2007, Mr. McGinty attended 100% of our Board and Committee meetings of which he is a member. Age 58.

Lance R. Odden*
(Director since 1991; expiration of term 2010)

Mr. Odden is presently a managing director of New Providence Asset Management Corp., and chair of New Providence s Governance Advisory Board. He also serves as a director of the Berkshire School (a co-educational boarding school). In July 2007, he joined the board of directors of Scientific Learning Corp. (a producer of computer-delivered educational intervention products) after serving as an advisor since 2003. Mr. Odden retired as Headmaster of the Taft School (a private educational institution) in June 2001, having served in that capacity since 1972. In 2007, Mr. Odden attended 100% of our Board and Committee meetings of which he is a member. Age 68.

Marita Zuraitis*
(Director since 2005; expiration of term 2009)

Ms. Zuraitis is President of The Hanover Insurance Group, Inc. s property and casualty insurance companies, Citizens Insurance Company of America and The Hanover Insurance Company. Prior to joining The Hanover Insurance Group, Ms. Zuraitis served as an Executive Vice President for the St. Paul Companies (a provider of insurance and surety products and risk management services) from 1998 to 2004, and as the President/CEO of its Commercial Lines Division from 2002 to 2004. She currently serves on the Board of Trustees for Worcester Academy (a private, co-educational boarding school). In 2007, Ms. Zuraitis attended 90% of the Board and Committee meetings of which she is a member. Age 47.

* All non-management directors are members of the Executive Committee.

There are no family relationships among any of the Director Nominees, directors or executive officers.

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Director Independence

Our governance principles state that a substantial majority of the Board should consist of directors who are not employed by Irwin Financial Corporation and who satisfy the requirements of the New York Stock Exchange (NYSE) for being an independent director. The NYSE requires that independent directors not have material relationships with Irwin Financial that would impair their ability to exercise independent judgement as directors, as affirmatively determined by the Board in accordance with NYSE standards.

To assist in the Board s determinations, the directors completed questionnaires designed to identify relationships that could affect their independence, and the Corporation conducted additional research to help identify material relationships. The Board reached its determinations by considering all relevant facts and circumstances surrounding a director s commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others.

On the basis of the responses to the questionnaires as well as the additional research by the Corporation, the Board determined that Directors Dean, Goodrich, Hoover, Kling, Lauderback, McGinty, Molendorp, Odden and Zuraitis are independent because they met the standards for independence set forth in our governance principles and by the NYSE. There were no known relationships going back for a period of three years between the Corporation and Ms. Dean, Mr. Odden, or Ms. Zuraitis, and they were therefore deemed independent. The Board affirmatively determined that the relationships between the Corporation and each of Directors Goodrich, Hoover, Kling, Lauderback, McGinty, and Molendorp described below would not impair their independence for the following reasons:

***With respect to Mr. Goodrich*,** the Board considered the Corporation s payment of membership fees for the last three fiscal years to the Central Indiana Corporate Partnership (CICP), an alliance of Indiana business and research university leaders, and Mr. Goodrich s service as President and Chief Executive Officer of the CICP until retiring from that position at the end of 2005. (Mr. Miller, our Chairman and Chief Executive Officer, is currently an Executive Committee member of the CICP.) The Board also considered Mr. Goodrich s position as President of the CICP Partnership Foundation, a 501(c)(3) organization, until his retirement at the end of 2005 and the Foundation s working line of credit with Irwin Financial s subsidiary bank in part of 2005. (Mr. Miller served as a director and treasurer of the CICP Partnership Foundation until December 31, 2005.)

The Board also considered Mr. Goodrich s service in 2006 and 2007 as a director of American United Mutual. In 2005 and 2006, Irwin Union Credit Insurance Company, a subsidiary of Irwin Financial, made payments to AUL, a subsidiary of American United Mutual, pursuant to a reinsurance arrangement, which arrangement was cancelled in 2006. During 2006 and 2007, subsidiaries of American United Mutual, paid commissions to our indirect subsidiary, Irwin Union Insurance (IUI), for placing insurance through AUL.

The Board also considered Mr. Goodrich s service as a member of the Board of Overseers of the Indiana University Tobias Center (where Mr. Miller, our Chairman and Chief Executive Officer, also served as a member until September 30, 2006) and donations made to various Indiana University programs by Irwin Financial and its subsidiaries over the last three fiscal years. These donations included matches to employee contributions as well as other contributions. Donations to Indiana University programs were also made through the Irwin Financial Foundation. (The Irwin Financial Foundation is not a subsidiary of Irwin Financial

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Corporation; however, directors and officers of the Foundation, including Mr. Miller, are executive officers of Irwin Financial Corporation.)

The Board also considered several banking relationships Mr. Goodrich and his family members have with our subsidiary bank, including credit card accounts and a line of credit.

In concluding that Mr. Goodrich is independent, the Board believed that Irwin Financial s decision to join the CICP had a valid business purpose; that the former relationship between our subsidiary bank and the CICP Partnership Foundation was conducted in the ordinary course of banking business; that the amounts paid to a subsidiary of American United Mutual by a subsidiary of Irwin Financial were not material nor were the amounts paid to Irwin Financial s subsidiary in commissions by subsidiaries of American United Mutual, and that these relationships were conducted in the ordinary course of the insurance business; that Mr. Goodrich s position on the Board of Overseers at the Indiana University Tobias Center was not materially related to the contributions, which were deemed immaterial, made to Indiana University by Irwin-related entities; and that the relationships established by Mr. Goodrich and his family with our subsidiary bank were conducted in the ordinary course of banking business and involved nonmaterial amounts. The Board therefore concluded that none of the above relationships would unduly influence Mr. Goodrich s judgment or prevent him from acting independently as a director of Irwin Financial.

***With respect to Mr. Hoover*,** the Board considered Mr. Hoover s service on the Dean s Council of the Kelley School of Business of Indiana University. As it did for Mr. Goodrich, the Board considered donations made to Indiana University by Irwin Financial and its subsidiaries over the past three years. These donations included matches to employee contributions as well as other contributions. Donations to Indiana University programs were also made through the Irwin Financial Foundation, which, though not a subsidiary of Irwin Financial, does receive the services of some of our executive officers.

The Board also considered that in 2006, at the request of the University of Denver, Irwin Financial Corporation made a contribution as one of several sponsors of the University s Korbel Dinner, a benefit for the Graduate School of International Studies, at which Mr. Hoover was one of several honorees.

In considering these relationships, the Board determined that Mr. Hoover was independent because his position on the Dean s Council at Indiana University s Kelley School of Business was not materially related to the contributions, which were deemed immaterial, made to Indiana University by Irwin-related entities; nor did the Board believe that Mr. Hoover s independence as a director would be influenced by the amount contributed to the University of Denver; nor would Mr. Hoover s status as an honoree at the University s Korbel dinner materially influence his independent judgment as an Irwin Financial director.

***With respect to Mr. Kling*,** the Board considered his former position as a director of The St. Paul Travelers Companies, Inc. (St. Paul Travelers) which ended effective May 3, 2005. In the last three years, IUI, one of our indirect subsidiaries, received agency commissions for placing insurance with St. Paul Travelers and Travelers Indemnity Co. of Illinois, and Irwin Financial paid premiums to St. Paul Travelers to obtain enterprise-wide excess layer Directors & Officers insurance coverage.

The Board deemed Mr. Kling to be independent. The Board determined that the indirect relationship between Mr. Kling s position as a former director of St. Paul Travelers, and the commissions received by Irwin from, and premiums paid by Irwin to, St. Paul Travelers were

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immaterial and done in the ordinary course of business and would not interfere with Mr. Kling s independent service as a director of Irwin Financial.

With respect to Ms. Lauderback**,** the Board considered a contribution Irwin Financial Corporation made in 2006 at Ms. Lauderback s request to the Maya Angelou Research Center on Minority Health. Ms. Lauderback does not serve in any capacity for the Research Center. The Board believed the contribution was immaterial and would not affect Ms. Lauderback s ability to exercise independent judgment as an Irwin Financial director and therefore deemed her independent.

With respect to Mr. McGinty**,** the Board considered Mr. McGinty s service on the Board of Directors of the national Volunteers in Medicine Institute since 2002, and donations made by an Irwin Financial subsidiary in the last three fiscal years to the Volunteers in Medicine of Bartholomew County through the Columbus Regional Hospital Foundation.

The Board also considered the customer relationships Mr. McGinty and his family members have with our subsidiary bank: a mortgage loan originated in 2002 that the bank sold to an unrelated third party shortly after origination; insurance policies through our indirect subsidiary, IUI, as agent, resulting in agency commissions to IUI; investment advisory services, deposit accounts; and safe deposit box rental.

In considering these relationships, the Board concluded that none of the banking relationships, which were ordinary course transactions, nor the donations, were material or would affect Mr. McGinty s ability to act independently as a director of Irwin Financial. The Board therefore deemed Mr. McGinty independent.

With respect to Mr. Molendorp**,** the Board considered his position as Chairman, President and CEO of American United Mutual. As it did for Mr. Goodrich, the Board considered that in 2005 and 2006, Irwin Union Credit Insurance Company, a subsidiary of Irwin Financial, made payments to AUL, pursuant to a reinsurance arrangement, which arrangement was cancelled in 2006. During 2006 and 2007, subsidiaries of American United Mutual paid commissions to our indirect subsidiary, IUI, for placing insurance through AUL.

The Board also considered Mr. Molendorp s service as a director of the CICP, for which Mr. Miller, our Chairman and Chief Executive Officer, is currently an Executive Committee member, and to which, as described above for Mr. Goodrich, Irwin Financial has paid membership fees in each of the last three fiscal years.

The Board also considered Mr. Molendorp s service as a director of the Boys & Girls Club of Indianapolis since 2003 and the contributions by the Irwin Financial Foundation in each of 2005 and 2006.

The Board also considered Mr. Molendorp s service as a member of the Board of Overseers of the Indiana University Tobias Center, and, as it did for Mr. Goodrich and Mr. Hoover, the Board considered donations made to Indiana University by Irwin Financial and its subsidiaries over the last three fiscal years. These donations included matches to employee contributions as well as other contributions. Donations to Indiana University programs were also made through the Irwin Financial Foundation, which, though not a subsidiary of Irwin Financial, does receive the services of some of our executive officers.

In considering these relationships, the Board deemed Mr. Molendorp independent. The Board believed, as it had with respect to Mr. Goodrich, that the amounts paid to a subsidiary of American United Mutual by a subsidiary of Irwin Financial were not material to Mr. Molendorp s

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position at American United Mutual, nor were the amounts material that were paid to Irwin Financial s subsidiary in commissions by subsidiaries of American United Mutual, and that these relationships were conducted in the ordinary course of the insurance business. The Board also concluded, as it had for Mr. Goodrich, that Irwin Financial s decision to join the CICP had a valid business purpose. The Board further concluded that Mr. Molendorp s position as director of the Boys & Girls Club of Indianapolis and his service on the Board of Overseers at the Indiana University Tobias Center were not materially related to the contributions received, which were deemed immaterial, from Irwin entities. The Board therefore concluded that none of the above relationships would unduly influence Mr. Molendorp s judgment nor prevent him from acting independently as a director of Irwin Financial.

Director Meetings

Our Board of Directors held six meetings during 2007.

Standing Committees and Committee Membership

Our Board of Directors has established five standing committees: (1) the Audit Committee; (2) the Risk Committee; (3) the Compensation Committee; (4) the Governance Committee; and (5) the Executive Committee. We have appointed certain members of our Board to serve on these committees, as reflected in the following table:

Committee Memberships

	Audit Committee	Risk Committee	Compensation Committee	Governance Committee	Executive Committee
Sally A. Dean	X		X *		X
David W. Goodrich		X		X (1)	X
R. David Hoover	X				X
William H. Kling				X	X
Brenda J. Lauderback	X		X		X
John C. McGinty, Jr.	X *	X		X	X
William I. Miller					
Dayton H. Molendorp		X (2)			X
Lance R. Odden		X	X	X *	X *
Marita Zuraitis	X	X *			X

* Indicates Committee Chair

(1) The Board of Directors approved the appointment of Mr. Goodrich to the Governance Committee on May 10, 2007.

(2) The Board of Directors approved the appointment of Mr. Molendorp to the Risk Committee on February 15, 2007.

Audit Committee

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act on January 1, 2007 upon the reorganization of our Audit and Risk Management Committee into two separate committees. The Audit Committee is composed of Mr. McGinty (Committee Chair), Ms. Dean, Mr. Hoover, Ms. Lauderback and

Ms. Zuraitis. The Board of Directors has determined that each member of the Committee is independent for purposes of the NYSE

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listing standards, SEC regulations and the Sarbanes-Oxley Act of 2002, as applicable to all independent directors and to audit committee members specifically. Additionally, the Board of Directors has determined that each member of the Committee is financially literate as required by the NYSE listing standards, and that Mr. McGinty qualifies as an audit committee financial expert, as defined by the SEC, thereby also satisfying the financial or accounting management expertise requirement under the NYSE listing standards.

The Audit Committee, which held ten meetings in 2007, operates under a written charter adopted by the Board of Directors, a copy of which can be found in the Corporate Governance section of the Corporation s website at *www.irwinfinancial.com*. The Committee has primary responsibility for, among other things, engaging, overseeing, and compensating our independent auditors; reviewing and approving the independent auditors audit plan; reviewing the report of audit and the accompanying management letter, if any; reviewing and directing the work performed by our internal audit department; reviewing, either alone or in conjunction with the Risk Committee, the regulatory examination reports received by us and our subsidiaries; consulting with the independent and internal auditors about the adequacy of internal controls; establishing and maintaining a policy and procedures in connection with related person transactions between the Corporation and its executive officers and directors; and approving changes to and waivers, if any, from the Corporation s Code of Conduct for executive officers and directors. (*See also* Report of the Audit Committee and the discussion of Pre-approval of Services Rendered by Independent Auditors in this proxy statement.)

Risk Committee

The Risk Committee was established on January 1, 2007 upon the reorganization of our Audit and Risk Management Committee into two separate committees. The Risk Committee is composed of Ms. Zuraitis (Committee Chair), Mr. Goodrich, Mr. McGinty, Mr. Molendorp and Mr. Odden. The Board of Directors has determined that each member of the Committee is independent. The Risk Committee operates under a written charter adopted by the Board of Directors, a copy of which can be found in the Corporate Governance section of the Corporation s website at *www.irwinfinancial.com*. The Committee has the primary responsibility for assisting the Boards of Directors of the Corporation and our principal subsidiaries in fulfilling their oversight responsibilities with respect to the existence, operation and effectiveness of the enterprise-wide risk management programs, policies and practices. Responsibilities include reviewing enterprise-wide risk management and compliance policies and programs for, and reports on, the Corporation and its subsidiaries; approving and adjusting risk limits subject to ratification by the Corporation and Bank boards; and consulting with management on the effectiveness of risk identification, measurement, and monitoring processes, and the adequacy of staffing and action plans, as needed. Our Risk Committee held four meetings in 2007.

Compensation Committee

The Compensation Committee discharges the responsibilities of our Board of Directors relating to the compensation of our Chief Executive Officer and our other executive officers. In addition, the Compensation Committee grants stock-based incentives to our executive officers, and administers our incentive, compensation and executive benefit plans.

The current members of the Compensation Committee are Ms. Dean (Committee Chair), Ms. Lauderback and Mr. Odden. The board has determined that each of Ms. Dean,

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Ms. Lauderback and Mr. Odden is independent for purposes of the NYSE listing standards and SEC regulations. Our Compensation Committee held seven meetings in 2007.

Our Board of Directors has adopted a charter for the Compensation Committee, a copy of which can be found in the Corporate Governance section of the Corporation s website at *www.irwinfinancial.com.*

In October 2007, the Committee engaged Towers, Perrin, Forster & Crosby, Inc., (Towers Perrin), a human resources consulting firm, as its executive compensation consultant to conduct an annual review of our total compensation program for executive officers. Through May 2007, the Committee had engaged Watson Wyatt Worldwide as its executive compensation consultant. The executive compensation consultant provides data and analyses that serve as the basis for setting executive officer and director compensation levels and advises the Committee on compensation decisions. The executive compensation consultant also advises the Committee on the structure of executive officer programs, which includes the design of incentive plans and the forms and mix of compensation. In addition to advising the Committee, the executive compensation consultant provides compensation consulting services to Irwin Financial and its subsidiaries that are reported back to the Compensation Committee.

The agenda for meetings of the Compensation Committee is proposed by the Committee s Chair with input from other Committee members and assistance from our Chief Executive Officer and our Chief Administrative Officer. Compensation Committee meetings are regularly attended by our Chief Executive Officer, the Chief Financial Officer and the Chief Administrative Officer. At the Committee s request, the executive compensation consultant also attends meetings. At each regularly scheduled meeting, the Committee meets in executive session without any of the members of management present. The executive compensation consultant attends executive sessions as requested by the Committee. The Committee s Chair regularly reports the Committee s recommendations on executive compensation to our Board of Directors.

Our human resources department also supports the Committee in its duties. Along with the Chief Executive Officer, the Chief Financial Officer, the Chief Administrative Officer, and other officers, the human resources department may be delegated authority by the Committee to fulfill certain administrative duties regarding Irwin Financial compensation programs. The Compensation Committee has the authority under its charter to retain, review fees for, and terminate advisors and consultants as it deems necessary to assist in the fulfillment of its responsibilities.

The Chief Executive Officer provides the Committee with his assessment of the performance of the Chief Financial Officer, the Chief Administrative Officer, and each of the line-of-business presidents, and his perspective in developing his recommendations for their compensation. Prior to December 31, 2007 and the elimination of the position of Executive Vice President, the Chief Executive Officer provided his assessment of and compensation recommendations for that individual as well. The Committee discusses each Named Executive Officer in detail and the compensation recommendations of the Chief Executive Officer, including how these recommendations compare against external market data. The Committee approves all compensation of executive officers.

The Compensation Committee establishes the Chief Executive Officer s compensation, taking into consideration the performance appraisal as conducted by the Governance Committee, described in the Governance Committee section below.

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Governance Committee

The Governance Committee, which serves as a standing nominating committee of the Board of Directors, is composed of Mr. Odden (Lead Director and Committee Chair), Mr. Goodrich, Mr. Kling and Mr. McGinty. The Board of Directors has determined that each member of the Governance Committee is independent for purposes of the NYSE listing standards and SEC regulations. The Committee, which held five meetings in 2007, operates under a written charter adopted by the Board of Directors, a copy of which can be found in the Corporate Governance section of the Corporation s website at *www.irwinfinancial.com.*

The Governance Committee makes recommendations to the Board of Directors regarding general qualifications for nominees as directors, mix of experience and skills on the Board, size of the Board and the terms of its members, director compensation, and the retirement policy for directors. In discharging its responsibility for screening and recommending candidates for election to the Board, the Governance Committee periodically evaluates the Board s effectiveness and composition, including matters such as the business and professional experience (including any requisite financial expertise or other special qualifications), background, age, current employment, community service and other board service of its members, as well as racial, ethnic and gender diversity of the Board as a whole. The Governance Committee considers a candidate s qualifications in light of these criteria, as well as its assessment of whether a candidate can make decisions on behalf of, or while representing, Irwin Financial that are aligned with our Guiding Philosophy, which is posted at *www.irwinfinancial.com*. The Committee will also consider a candidate s independent status in accordance with applicable regulations and listing standards, as well as any conflicts of interest the candidate may have in serving on the Board of Directors. The Governance Committee recommended that the three Director Nominees stand for election at the annual meeting this year.

The Governance Committee will consider director candidates recommended by security holders from time to time, provided that such a recommendation is accompanied by (i) a sufficiently detailed description of the candidate s background and qualifications to allow the Governance Committee to evaluate the candidate in light of the criteria described above, (ii) a document signed by the candidate indicating his or her willingness to serve if elected, and (iii) evidence of the nominating security holder s ownership of Irwin Financial stock. Any such recommendation and related documentation must be delivered in writing to Lance Odden, currently our Lead Director, in care of Irwin Financial Corporation, PO Box 929, Columbus, Indiana 47202-0929.

The Governance Committee also reviews and makes recommendations to the Board of Directors regarding director compensation and manages the Chief Executive Officer s performance appraisal process that includes input from each of the independent directors. The Committee discusses the assessment of the Chief Executive Officer s performance in executive session (without the Chief Executive Officer present) with all other members of the Board, which includes all members of the Compensation Committee.

The Governance Committee has also approved guidelines for director ownership of the Corporation s common stock. *See* the discussion under the section Securities Ownership of Directors and Management.

Executive Committee

The Executive Committee consists of the non-management directors of our Board. Its purpose is to meet regularly in executive session without employee directors or management present. (Our Chief Executive Officer, Chairman and President is the only employee director currently on the Board.) The Committee meets at least four times per year in executive session without management for a general discussion of relevant subjects. Additional meetings of the Committee may be held from time to time as required. Lance Odden, who has been designated the Lead Director and appointed the Chair of the Executive Committee by the non-management directors, presides over such executive sessions and is responsible for communicating any concerns or conclusions expressed in these sessions to management. The Committee has the power to act on the Board of Directors behalf at such times as may be designated by the Board of Directors to conduct the business of the Board of Directors, subject to limitations imposed by law, our articles, our by-laws, or resolutions of our Board of Directors. The Committee held six meetings in 2007.

COMPENSATION

Compensation Discussion and Analysis

Executive Compensation Program Objectives and Rewards

Our executive compensation program focuses on the total compensation of our Named Executive Officers listed in the Summary Compensation Table and seeks to provide competitive compensation that varies with our performance in achieving our financial and non-financial goals. Our compensation system balances the following goals:

- Attract, motivate and retain talented individuals as executives who can execute our business strategy while upholding our values as set forth in our Guiding Philosophy;

- Reward performance by Named Executive Officers at a level that is competitive for their positions and performance in the banking industry; and,

- Link a substantial portion of total compensation to be paid to Named Executive Officers to the performance of the Corporation to align the interests of Named Executive Officers with our shareholders through a balance of our short-term and long-term incentive compensation plans.

Executive Compensation Process

The Compensation Committee of the Board of Directors (the Committee) directs the design of and oversees our executive compensation programs. A discussion of the Committee s structure, roles and responsibilities and related matters can be found above under the section Compensation Committee.

The Committee s practice generally is to manage total target compensation for Named Executive Officers annually to approximately the median of the competitive market. Through the range of opportunities provided in our short-term incentive plans and long-term incentive plans (each discussed more fully below), actual payments may exceed median when performance exceeds targeted objectives and fall below the median when performance is below target. An individual Named Executive Officer s total compensation in any given year may be set above or below median depending on experience, recruiting needs and performance.

The Committee considers a variety of sources of market data to benchmark the competitiveness of our compensation packages. These include both publicly available financial company compensation surveys and proxy statement data from peer companies. Our executive compensation consultant annually recommends to the Committee relevant compensation surveys, works with management in establishing a peer group for benchmarking and recommends suggested weightings of the data sources.

We attempt to select peer group members that have attributes similar to those of Irwin Financial and that are of comparable asset size. In 2007, our peer group consisted of 23 banking and financial services companies. Most of these companies were regional banks spread throughout the United States. The median asset level of these 23 companies was approximately $6.5 billion. The range of asset levels for our peers was approximately $3.6 billion to $9.6 billion. Our peer group for 2007 included: Alabama National Bancorporation, Bank Atlantic Bancorp, Capitol Bancorp Ltd., Capital Federal Financial, Cathay General Bancorp, Chittenden Corporation, FNB Corporation, First Charter Corporation, First Commonwealth Financial Corp., First Merchants Corporation, First Midwest Bancorp Inc., Glacier Bancorp Inc., Greater Bay Bancorp, National Penn Bancshares Inc., Northwest Bancorp Inc., Old National Bancorp, Pacific Capital Bancorp, Provident Bankshares Corp., Trustmark Corporation, UMB Financial Corporation, United Bankshares Inc., Wesbanco Inc., and WinTrust Financial Corporation. The peer group information was collected and presented to the Committee by our executive compensation consultant. The use of these market benchmarks, while helpful to the Committee in determining executive compensation, is principally intended to assist the Committee as a point of reference and is not considered to be determinative in the Committee s decision-making process.

To account for inexactness in measurement techniques, we consider a market competitive compensation range to be plus or minus ten percent around the weighted average of medians drawn from the compensation surveys and peer company proxy statement data.

Annually the Committee reviews for each Named Executive Officer a tally sheet setting forth all compensation, a five-year history of all compensation, all equity awards granted in the past ten years, current equity ownership, and gains received over the past ten years from long-term incentives including exercise of stock options, disposition of granted shares, and performance unit plans.

Performance measurements used tend to emphasize financial performance, but the Committee also considers critical strategic or operational objectives.

Elements of Executive Compensation

For the year ended December 31, 2007, the principal components of compensation for Named Executive Officers were:

A. Base salary

B. Annual short-term bonus

C. Long-term incentives

D. Retirement and other benefits

E.

Perquisites and other personal benefits appropriate to the managerial role and responsibility of the executive.

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