IRWIN FINANCIAL CORP
Form DEF 14A
April 17, 2009

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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:

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 (set forth the amount on which the filing fee is calculated and state how it was determined):

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o Fee paid previously with preliminary materials.

o 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:

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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 17, 2009

NOTICE OF 2009 ANNUAL MEETING OF SHAREHOLDERS

To our Shareholders:

You are cordially invited to attend the 2009 Annual Meeting of Shareholders of Irwin Financial Corporation, to be held at YES Cinema and Conference Center, 4th & Jackson Streets, Columbus, Indiana, on Friday, May 29, 2009, at 4:00 p.m. Eastern Daylight Time, for the following purposes:

Proposals:

No. 1. to elect four Directors to serve on the Board until our 2012 Annual Meeting;

No. 2. to approve an amendment to the Irwin Financial Corporation Employees Stock Purchase Plan III to add shares to the plan;

No. 3. to approve the Irwin Financial Corporation and Affiliates Amended and Restated Short Term Incentive Plan to qualify the plan as performance-based compensation under Section 162(m) of the Internal Revenue Code; and,

No. 4. to act upon the confirmation of independent public accountants for 2009.

We recommend that you vote FOR Proposal Nos. 1, 2, 3 and 4.

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, 3, and 4 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 29, 2009

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 (the Board) of proxies to be used at our Annual Meeting of Shareholders on Friday, May 29, 2009. The meeting will be held at the Yes Cinema and Conference Center, 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 17, 2009.

Pursuant to rules 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.

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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 23, 2009 (the record date), will be entitled to vote. On the record date, there were 29,976,042 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, 14,988,022 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.

Shareholders who hold their securities directly, as holders of record, and/or indirectly, as beneficial owners through a broker or similar organization, should anticipate receiving separate sets of proxy materials and/or Notices of Internet Availability representing the securities held through each of these methods. Shareholders who wish to vote all of their shares should exercise a proxy for each method of securities held.

In addition, 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

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Plans, regarding how to vote the shares of Irwin Financial Corporation attributable to your individual account under the Plans. You will receive, or be provided with access to, a voting instruction card for this purpose. Your instructions to Fidelity will be tabulated confidentially. If your voting directions are not received by May 27, 2009, 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*.

SECURITIES OWNERSHIP AND REPORTING

Principal Holders of Irwin Financial Securities

Persons known by management to own beneficially more than 5 percent 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	11,386,910 (1)	37.89%
Dimensional Fund Advisors LP 1299 Ocean Avenue, 11th Floor Santa Monica, CA 90401	2,267,409 (2)	7.63%

(1) Amount and nature of beneficial ownership is as of the record date, March 23, 2009. 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.

This 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

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I. Miller s spouse, Lynne M. Maguire, as trustee of the 1998 William I. Miller Annual Exclusion Trust (the Exclusion Trust), and (iii) 858,228 common shares beneficially held through employee stock options that are exercisable within 60 days of March 23, 2009. 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 aggregate number of shares indicated is determined as of December 31, 2008, as described in the Schedule 13G that Dimensional Fund Advisors LP (Dimensional) filed with the SEC on February 9, 2009, in which Dimensional reports it has sole voting and dispositive power as to all such shares.

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.

Name	Irrevocable Voting Proxy	Right to Acquire within 60 days of March 23, 2009	Restricted Stock	Total Number of Shares Beneficially Owned (1)	Percent of Class
Sally A. Dean (3)		43,008	46,223	120,585	*
Gregory F. Ehlinger (4)		185,067	22,949	253,943	*
David W. Goodrich (2)(3)		6,225	19,083	54,942	*
R. David Hoover (3)		10,882	39,714	73,372	*
Bradley J. Kime (4)		99,290	7,027	116,725	*
William H. Kling (3)		10,050	19,083	67,937	*
Brenda J. Lauderback (2)(3)		19,783	19,083	55,039	*
Jocelyn Martin-Leano (4)		30,015	7,027	38,369	*
John C. McGinty, Jr. (2)(3)		14,855	19,083	53,727	*
William I. Miller (3)(4)(5)	10,321,136	858,228	19,582	11,386,910	37.89%
Dayton H. Molendorp (3)		0	19,083	24,671	*
Lance R. Odden (3)		14,855	19,083	60,433	*
John W. Rinaldi (4)		17,567	3,141	31,315	*

Marita Zuraitis (2)(3)		1,500	53,692	68,944	*
Current Directors and Executive Officers as a Group (15 persons) (6)	10,321,136	1,439,631	328,123	12,612,683	41.97%
Joseph LaLeggia (4)(7)		0	0	7,851	

* Less than 1 percent

(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 23, 2009. 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. LaLeggia are not included in the total shares owned by Current Directors and Executive Officers as a Group because Mr. LaLeggia s service as an executive officer ended after July 30, 2008.

(7) Shares owned by Mr. LaLeggia are based on ownership as represented on the final Form 5 filed February 13, 2009.

Mr. Rinaldi has a currently exercisable option to purchase eight 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. Rinaldi exercised his option, he would hold approximately one percent 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 directors increased their ownership of our common stock in 2008; (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 few years, the Governance Committee voted to waive application of the $150,000 value guideline described above for 2008.

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 percent 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 percent shareholders to furnish us with copies of all Section 16(a) forms they file.

We incorrectly reported stock options granted to John W. Rinaldi on the Form 3 filed in October 2008. The stock options were correctly reported on the 2008 Form 5 filed on February 13, 2009.

With the exception of the filing 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 percent shareholders met all applicable Section 16(a) filing requirements for the fiscal year 2008.

CORPORATE GOVERNANCE

Proposal No. 1. Election of Directors

Four directors are to be elected to our Board of Directors at the Annual Meeting in 2009. The four 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. This year, the Board of Directors has adopted a policy whereby, in an uncontested election for directors, the Board will consider the tendered resignation of any director who receives a greater number of withheld votes than for votes in the election. Proxies granted for use at the Annual Meeting cannot be voted for more than four 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 Goodrich, Lauderback, McGinty and Zuraitis are currently serving three-year terms expiring in 2009.

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

Directors Dean, Kling and Odden are currently serving three-year terms that expire in 2010. Directors Hoover, Miller and Molendorp are currently serving three-year terms that expire in 2011.

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.

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 terms; 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 2008; 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 23, 2009, of each director and Director Nominee.

Director Nominees

David W. Goodrich*
(Director since 1986; expiration of current term is 2009; if elected, expiration of term is 2012)

Mr. Goodrich serves as a director of Clarian Health Partners, Inc. (a network of healthcare facilities and hospitals), American United Mutual Insurance Holding Company (American United Mutual), the parent of 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 (CICP) (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 Randall L. Tobias Center for Leadership Excellence (Indiana University Tobias Center). In 2008, Mr. Goodrich attended 96 percent of our Board and Committee meetings of which he is a member. Age 61.

Brenda J. Lauderback*
(Director since 1996; expiration of current term is 2009; if elected, expiration of term is 2012)

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 2008, Ms. Lauderback attended 98 percent of our Board and Committee meetings of which she is a member. Age 58.

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John C. McGinty, Jr.*
(Director since 1991; expiration of current term is 2009; if elected, expiration of term is 2012)

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 2008, Mr. McGinty attended 99 percent of our Board and Committee meetings of which he is a member. Age 59.

Marita Zuraitis*
(Director since 2005; expiration of current term is 2009; if elected, expiration of term is 2012)

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 2008, Ms. Zuraitis attended 88 percent of the Board and Committee meetings of which she is a member. Age 48.

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, now Randolph College. In 2008, Ms. Dean attended 98 percent of our Board and Committee meetings of which she is a member. Age 60.

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R. David Hoover*
(Director since 2004; expiration of current 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 2008, Mr. Hoover attended 81 percent of our Board and Committee meetings of which he is a member. Age 63.

William H. Kling*
(Director since 1992; expiration of term is 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, Classical South Florida and the Greenspring Company (a diversified media company). Mr. Kling became President of Minnesota Public Radio (a regional network of 40 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 is the Chairman and board member of Gather.com, a social network company based in Boston. He was elected a Regent of St. John s University in 2005. In 2008, Mr. Kling attended 91 percent of our Board and Committee meetings of which he is a member. Age 66.

William I. Miller
(Director since 1985; 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 grant-making foundation focused on human and community development). In 2008, Mr. Miller attended 100 percent of our Board meetings. Age 52.

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Dayton H. Molendorp*
(Director since 2007; expiration of current term is 2011)

Mr. Molendorp is Chairman of the Board, President and Chief Executive Officer of American United Mutual Insurance Holding Company, 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 CICP, the Indiana Chamber of Commerce, the Indiana University Tobias Center, LIMRA International (a worldwide association of insurance and financial services companies) and the Skyline Club. He serves on the Advisory Committee for the Youth for Christ organization (an inter-denominational, Christian youth ministry). In 2008, Mr. Molendorp attended 91 percent of our Board and Committee meetings of which he is a member.
Age 62.

Lance R. Odden*
(Director since 1991, expiration of current term is 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 2008, Mr. Odden attended 98 percent of our Board and Committee meetings of which he is a member. Age 69.

* 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.

Director Independence

Our Corporate 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 judgment 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 Corporate 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. Kling, 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, Lauderback, McGinty, and Molendorp described below would not impair their independence for the following reasons:

With respect to Mr. Goodrich, the Board considered Mr. Goodrich s service in 2006, 2007 and 2008 as a director of American United Mutual. In 2006, Irwin Union Credit Insurance Company (IUCIC), 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, 2007 and 2008, 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.

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 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.

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The Board also considered Mr. Hoover s service as the Chairman of the Board of Trustees of DePauw University and donations made to DePauw University by Irwin Financial, which consisted of matches to employee contributions.

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. The Board concluded that Mr. Hoover s position on the Dean s Council at Indiana University s Kelley School of Business and his service as Chairman of the Board of Trustees of DePauw University were not materially related to the contributions received, which were deemed immaterial, from Irwin 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 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 the customer relationships Mr. McGinty and his family members have with our subsidiary bank: 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, 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 Chief Executive Officer of American United Mutual. As it did for Mr. Goodrich, the Board considered that in 2006, IUCIC, a subsidiary of Irwin Financial, made payments to AUL, pursuant to a reinsurance arrangement, which arrangement was cancelled in 2006. During 2006, 2007 and 2008, 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 Central Indiana Corporate Partnership (CICP), an alliance of Indiana business and research university leaders for which Mr. Miller, our Chairman and Chief Executive Officer, is currently an Executive Committee member, and to which 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 contribution to the Boys & Girls Club of Indianapolis by the Irwin Financial Foundation in 2006. (The Irwin Financial Foundation is not a subsidiary of Irwin Financial Corporation; however, directors and officers of the Foundation, including Mr. Miller, are officers of Irwin Financial Corporation.)

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The Board also considered Mr. Molendorp s service as a member of the Board of Overseers of the Indiana University Tobias Center. 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.

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 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 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 and the Irwin Financial Foundation. 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 43 meetings during 2008: six regularly scheduled Board meetings and 37 special Board meetings.

Standing Committees and Committee Membership

Our Board of Directors has established six standing committees: (1) the Audit Committee; (2) the Risk Committee; (3) the Compensation Committee; (4) the Governance Committee; (5) the Joint Management Structure and Compliance Committee; and (6) 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	Joint Management Structure and Compliance Committee	Executive Committee
Sally A. Dean	X		X *		X (2)	X
David W. Goodrich		X		X		X
R. David Hoover	X (1)					X
William H. Kling				X		X
Brenda J. Lauderback	X		X			X
John C. McGinty, Jr.	X *	X		X	X	X
William I. Miller						
Dayton H. Molendorp		X			X	X
Lance R. Odden		X	X	X *	X *	X *
Marita Zuraitis	X	X *			X	X

* Indicates Committee Chair

(1) Mr. Hoover resigned from the Audit Committee on May 7, 2008.

(2) Ms. Dean became a member of the Joint Management Structure and Compliance Committee in January, 2009.

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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, Ms. Lauderback and Ms. Zuraitis. Mr. Hoover was a member until he resigned from the Committee on May 7, 2008. The Board of Directors has determined that each member of the Committee is independent for purposes of the NYSE 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 2008, 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 five meetings in 2008.

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 directs the administration of 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, Ms. Lauderback and Mr. Odden is independent for purposes of the NYSE listing standards and SEC regulations. Our Compensation Committee held six meetings in 2008.

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 the Corporation 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 the Corporation s 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.

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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. 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.

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 two meetings in 2008, 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, the Corporation 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 four 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 the Corporation s common 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.

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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.

Joint Management Structure and Compliance Committee

The Joint Management Structure and Compliance Committee is a joint committee of the Boards of Irwin Financial Corporation and its subsidiary, Irwin Union Bank and Trust, created to comply with the written agreement entered into on October 10, 2008 by our holding company and our state-chartered bank subsidiary with the Federal Reserve Bank of Chicago and the Indiana Department of Financial Institutions (the Written Agreement). The Committee monitors compliance with the Written Agreement. The Committee engaged independent consultants to perform a review of management pursuant to the requirements of the Written Agreement, which review was completed in November 2008. Members of the Committee are Mr. Odden (Committee Chair), Ms. Dean, Mr. McGinty, Mr. Molendorp, and Ms. Zuraitis. The Committee held eight meetings in 2008. (Ms. Dean became a member of this Committee in January 2009.)

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 43 meetings in 2008.

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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 Named Executive Officer compensation to the performance of the Corporation so that the interests of Named Executive Officers will align 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, the executive s performance, and the Corporation s performance, and applicable regulations.

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 weightings of the data sources.

The Committee attempts to select peer group members that have attributes similar to those of the Corporation and that are of comparable asset size. In 2008, our peer group consisted of 20 banking and financial services companies. Most of these companies were regional banks spread throughout the United States. The median asset level of these 20 companies was approximately $6.6 billion. The range of asset levels for our peers was approximately $3.8 billion to $10.4 billion. Our peer group for 2008 included: Bank Atlantic Bancorp, Capitol Bancorp Ltd., Capital Federal Financial, Cathay General Bancorp, FNB Corporation, First Charter Corporation, First Commonwealth Financial Corp., First Merchants Corporation,

First Midwest Bancorp Inc., Glacier Bancorp Inc., 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.

The Corporation s decision to pursue a restructuring plan in 2008 substantially changed the performance goals of some Named Executive Officers, and materially impacted the financial performance of the Corporation primarily due to restructuring costs. As a result, the Committee has directed adjustments to the compensation of selected Named Executive Officers in the form of salary reductions, downward modifications of performance-based incentives and the addition of short-term retention incentives. Although these actions are not designed with the benefit of peer group information (which tends to be too old for short-term decision making), the Committee felt that the overall economic and operating environment in 2008 (and continuing today) should be reflected in the executive compensation process.

Elements of Executive Compensation

For the year ended December 31, 2008, the principal components of compensation for Named Executive Officers were:

A. Base salary

B. Annual short-term incentive

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.

F. Retention payments for certain executive officers.

A significant percentage of total compensation for Named Executive Officers was allocated to long-term incentives. This provides a link between their total compensation and the performance of the Corporation and its stock. We have no pre-established policy or target for the allocation between either cash and non-cash or short-term and long-term incentive compensation. Rather, the Committee annually reviews examples from other similar companies of the level and mix of incentive compensation. In addition, as noted above, the Committee weighs important environmental factors in determining the level and mix of incentive compensation.

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A. Base Salary

The Committee believes a market-median base salary is important in achieving the goal of attracting and retaining qualified executives and compensating them for services rendered during the year. As noted above, we determine base salary market median by analyzing data from publicly available compensation surveys and from proxy statement data of the selected peer companies. In the publicly available compensation surveys, we are able to look at salary data specific to our industry, our asset size and our revenue size. We look at the 25th, 50th and 75th percentile for base salary in the external market, but our focus is on a range of 10 percent above or below the calculated median.

In its review of base salaries for Named Executive Officers, the Committee considers the market data as described above, as well as the individual s performance. Base salaries are reviewed at least annually as part of the Corporation s performance review process or upon a promotion or other change in job responsibility.

In 2008, because of poor consolidated financial performance in 2007, the Committee made no change to base salaries for Messrs. Miller, Ehlinger, Kime and Ms. Martin-Leano, and one other executive officer.

On March 27, 2009, the Corporation, upon the approval of the Committee, agreed to reduce the base salaries of three Named Executive Officers, plus one other executive officer. These reductions were implemented in response to the current economic environment and conditions in the banking industry and are aligned with the restructuring of the Corporation and its business subsidiaries. Specifically, Mr. Miller had his base salary reduced 25 percent from $650,000 to $487,500 annually. Mr. Ehlinger had his base salary reduced ten percent from $316,000 to $284,400 annually. Mr. Kime had his base salary reduced ten percent form $304,000 to 273,600. These reductions became effective on April 1, 2009.

B. Annual Short-Term Incentive

We provide an annual incentive under our short-term incentive plans. The annual short-term incentive is based on three main principles:

- We seek to align compensation with the Corporation s strategic and tactical goals.
- The annual short-term incentive is calibrated to performance and to market standards.
- Clarity of design and understanding is essential for the short-term incentive to be motivating.

The annual short-term incentive is the component that provides a variable current cash compensation reward for current performance meeting or exceeding certain targets established by the Committee. Each Named Executive Officer participating in the annual short-term incentive plan has a target opportunity expressed as a percentage of base salary. Payments are calculated as a percentage of the target opportunity, depending on company performance. We believe that this method, when combined with properly selected performance targets and our long-term incentives, rewards managers for balancing current performance with the need to make investments in future performance and for managing risk.

As with base salaries, we determine market median for total cash compensation (base salary plus short-term incentive) by analyzing data from publicly available compensation surveys and from proxy statement data of the selected peer companies. We also look at total cash compensation at the 25th and 75th percentiles from the data. The target payouts are generally set to provide total cash compensation comparable to the market median.

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The 2008 target award opportunity for each Named Executive Officer was as follows:

Named Executive Officer	Target Award Expressed as % of Base Salary
William I. Miller	75%
Gregory F. Ehlinger	55%
John W. Rinaldi	50%
Jocelyn Martin-Leano	55%
Bradley J. Kime	55%
Joseph R. LaLeggia (1)	50%

(1) Mr. LaLeggia served as one of our executive officers through July 30, 2008, when he resigned as President of the commercial finance line of business in connection with agreements to sell substantially all of our small-ticket leasing assets.

Line-of-business presidents receive the majority of their target annual incentive awards based upon the performance of their respective companies and the remainder based upon consolidated performance of the Corporation. Thus, they have financial incentives to achieve synergies between lines of business. In contrast, the short-term incentive awards for executive officers of lines of business who are not presidents of the Corporation s lines of business are tied fully to the performance of the lines of business. The one exception in 2008 was the president of our franchise business, who became an executive officer in the fourth quarter of 2008 and for whom 100 percent of his target annual incentive remained tied to the performance of his line of business.

We believe that the best performance targets are those that are objectively and consistently measured, easily understood by plan participants, and aligned with important corporate objectives. Our historic preference has been to use return on equity or net income as a primary basis of performance targets. We believe that return on equity effectively measures how successfully management has invested shareholders equity and net income measures the Corporation s operational success. This return can be compared to both the theoretical cost of equity based on financial models measuring the rate of an asset s return, such as the Capital Asset Pricing Model, the returns of other financial services companies and the estimated required rate of return of investors.

Additionally, performance targets may be based upon, or modified by, among other objectives, historical and expected industry performance, profit plans for each line of business, operating and strategic objectives, and qualitative factors including retention, regulatory compliance, and risk management. The relative weighting of performance targets may change from one period to the next in order to manage short-term retention, competitive or other risks, or goals. However, we believe that over the long-term, performance targets should reflect overall Corporation performance. To the extent that actual performance differs from target, incentive payments increase or decrease from targeted amounts.

For 2008, the Committee chose return on equity as the key short-term incentive measure for the commercial finance line of business because it is a simple measure of return on investment that is understood by executives and is aligned with the interests of the Corporation s sources

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of capital. The commercial banking line of business chose banking deposit volume and net income as its key short-term incentive measures. Each of these performance measures was weighted equally for the commercial banking line of business. The commercial banking line of business also has a profit sharing plan that pays the same percentage of salary to each bank employee at given levels of net income. For the home equity line of business, in addition to net income, operational performance targets and risk management control systems were also included because of the Corporation s announced plan to sell or wind-down the home equity business and the desire to retain good managers. Each of these three performance measures was weighted differently for the home equity line of business. Net income was weighted 20 percent, operational performance was weighted 50 percent, and risk management control systems was weighted 30 percent. In addition, the short-term incentive plans at all three lines of business included a modifier for compliance and risk management, which the Committee has discretion to apply. In 2008, the Committee chose not to adjust annual incentives based on this modifier.

Following the close of the year, the Committee determines the extent to which the performance criteria have been achieved and, if they have, the amount of the award earned. This determination is formulaic, although the Committee can exercise its discretion to reduce the amount of the award earned for the performance achieved.

Performance targets and the calculated incentives as a percent of target for the Named Executive Officers at the parent company and lines of business in 2008 were as follows:

	IFC Consolidated	**Commercial Finance**	**Commercial Banking (6) Factors of:**		**Home Equity Factors of:**		
	Performance	**Return on Equity**	**Deposit Volume**	**Net Income Amount**	**Functional Unit Performance**	**Risk Management**	**Net Income**
Target Performance	(1)	13%	$450 million	$20.9 million	(2)	(3)	$0
Incentives Calculated as % of Target	20.5 % (4)	0%	0%	0%	31.2% (5)	25% (5)	0% (5)

(1) Target performance is tied to the economic capital weighted average of the line-of-business payouts.

(2) Target performance is measured by the percent of goals that are achieved within each functional unit at the home equity line of business.

(3) Target performance is measured by satisfactory results for the home equity line of business in risk management and compliance.

(4) Executive officers recommended to the Committee that any incentive payment they would by formula receive from the Corporation s 2008 consolidated performance be reduced to zero. Mr. Miller, Mr. Ehlinger and one other executive officer will receive no incentive payment for 2008 performance (their entire short-term incentive opportunity is paid by the Corporation s performance target). No portion of Mr. Rinaldi s 2008 short-term incentive is paid by the parent company performance target. Mr. Kime and Ms. Martin-Leano will receive no payment for the portion of their target incentive that is tied to parent company consolidated results.

(5) The blended payout for all three factors is 23.1 percent.

(6) In April 2008, the commercial banking line of business requested and received approval from the Commercial Bank Management Committee to change the structure of the annual Short-Term Incentive Plan for all bank employees except Mr. Kime, a Named Executive Officer. The changes included moving to quarterly payments and reset of goals. Funding Gap Reduction was also added

as one of the quarterly goals under the revised plan structure. These changes were made to help address retention concerns while still keeping bank employees focused on key business metrics. The changes resulted in incentive payouts in some quarters to some bank employees. The revised short-term incentive plan structure for the commercial banking line of business resulted in an annual Incentive Calculated as a percent of Target of 28.2 percent which was paid quarterly. Mr. Kime, the Commercial Banking Named Executive Officer, was measured annually on the original structure and as such, received a zero payout based on 2008 performance. The commercial banking line-of-business performance from the revised short-term incentive plan structure (28.2 percent) was used as the input for the Corporation s consolidated line-of-business performance.

The lines of business and the Corporation (IFC Consolidated) consolidated short-term incentive plan payout multiples in 2008 for Named Executive Officers are as follows:

2008 Short-Term Incentive Multiples	IFC Consolidated	Commercial Finance	Commercial Banking	Home Equity	Franchise
ROE Multiple	N/A	0.000	N/A	N/A	2.533
Functional Unit Performance Multiple	N/A	N/A	N/A	0.156	N/A
Regulatory Ratings Control Systems Multiple	N/A	N/A	N/A	0.075	N/A
Net Income $ Multiple	N/A	N/A	0.000	0.000	N/A
Deposit Growth and Volume Multiple	N/A	N/A	0.000	N/A	N/A
Overall (Blended) Multiple	0.205	0.000	0.000	0.231	2.217

The 2008 performance of the Corporation (IFC Consolidated) short-term incentive plan was based on the weighted average results of each line of business short-term incentive plan payout as illustrated in the table below.

	STIP Payout Multiple	Capital Allocation	Weighted Average
Commercial Finance	0.000	$ 108.0 MM	0.000
Commercial Banking (1)	0.282	$ 219.6MM	0.136
Home Equity	0.231	$ 150.4MM	0.069
IFC Consolidated	N/A	$ 478.0MM	0.205

(1) Different measures were used for the broad Commercial Banking population compared to the net income and deposit growth measures used for Mr. Kime.

In January 2009, the Corporation s executive officers informed the Committee that they would waive their right to receive any payments related to the parent company portion of the 2008 short-term incentive multiples in the event the Committee were to approve such payments. The Committee assessed overall financial performance of the Corporation in 2008 and the effect this decision would have on executive officer retention and motivation. The Committee consulted with executive officers affected by the waiver information and took into consideration that this action was recommended by the Corporation s executive officers. The Committee also consulted with the executive compensation consultant on this action. This waiver applies to Named Executive Officers Miller, Ehlinger, Kime, Martin-Leano, and one other executive officer. The line-of-business short-term incentive plans paid as displayed below for Mr. Rinaldi and Ms. Martin-Leano. Mr. Kime received no line-of-business payment. The following table shows the direct impact this action had on each Named Executive Officer.

Payments Under Short-Term Incentive Plans

	William I. Miller	Gregory F. Ehlinger	John W. Rinaldi	Jocelyn Martin-Leano	Bradley J. Kime
Formulaic Incentive Payment for 2008 Consolidated Performance	$100,101	$35,687	N/A	$6,242	$6,242
2008 Line-of-Business Incentive Earnings	N/A	N/A	$293,715	$31,601	$0
Total Formulaic Payments	$100,101	$35,687	$293,715	$37,843	$6,242
Formulaic Incentive Payment for 2008 Consolidated Performance Not Paid (waived by the executive officer where applicable)	$(100,101)	$(35,687)	N/A	$(6,242)	$(6,242)
Net Payment Incentive	$0	$0	$293,715	$31,601	$0

At the beginning of 2008, Mr. Rinaldi was not a Named Executive Officer. His status changed mid-year after the sale of the small-ticket leasing business. Mr. Rinaldi s short-term incentive was based 12.5 percent on the consolidated performance of the commercial finance line of business and 87.5 percent on the performance of the franchise business, which was one segment of the commercial finance line of business in 2008. Mr. Rinaldi received higher short-term incentive payouts, as a percentage of his base salary, because the line of business for which he was responsible met its financial performance objectives. In 2008, the short-term incentive for Ms. Martin-Leano was based 82 percent (45 percent of a total target of 55 percent of salary) on the performance of the home equity line of business, and 18 percent (10 percent of a total target of 55 percent of salary) on the Corporation s short-term incentive plan, which was tied to the economic weighted capital average of the line-of-business payouts. In 2008, the short-term incentive for Mr. Kime was based 82 percent (45 percent of a total target of 55 percent of salary) on the performance of the commercial banking line of business, and 18 percent (10 percent of a total target of 55 percent of salary) on the Corporation s short-term incentive plan, which was tied to the economic weighted capital average of the line-of-business payouts. Mssrs. Miller, Ehlinger and Kime and Ms. Martin-Leano received no payouts due to respective performance of the Corporation on a consolidated basis. Mr. Kime received no payment due to the performance of the commercial banking line of business. Ms. Martin-Leano received a mid-year payout due to the performance of the home equity line of business, but no additional payments at year-end.

Amounts earned under our short-term incentive plans for 2008 are reported under the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

C. Long-Term Incentives

Long-term incentive plans encourage building the value of the Corporation over the long term and balance the short-term incentives provided by annual incentive plans.

The form of long-term incentives for parent company executives in 2008 was a combination of performance-based restricted stock and non-qualified stock option grants, and the form of incentives for line-of-business presidents was a combination of performance-based restricted stock, stock options and performance unit plan grants.

For Named Executive Officers, the Committee sought current and long-term incentive compensation market data from the financial services industry and selected peer companies. The Committee also compared the expected value of each officer s grant to the Named Executive Officer s current base compensation. The value of each Named Executive

Officer s

grant was based upon the market median value of the data analyzed. The Committee also considered Named Executive Officer grants as a percentage of total equity grants and as a percentage of outstanding common equity.

In order to balance delivering a market competitive equity grant to employees with acceptable annual shareholder dilution rates relative to the number of shares granted in 2008, the Committee delivered to Named Executive Officers, 80% of the market competitive expected value in performance-based restricted stock, and 20% of the market competitive expected value in stock options. The one exception was the grant made to Mr. Miller. Mr. Miller s grant of both performance-based restricted stock and stock options was reduced significantly below market levels in order for the Committee to maintain an acceptable annual shareholder dilution rate. After receiving input from Mr. Miller, the Committee felt it was important to maintain market competitive grants for the other Named Executive Officers while only reducing Mr. Miller s individual grant to achieve the desired shareholder dilution rate.

For long-term incentive, all Named Executive Officers received non-qualified stock option grants in 2008. With the exception of Mr. Rinaldi, all Named Executive Officers also received performance-based restricted share grants in 2008. Mr. Rinaldi received a time-based restricted stock grant since he was not a Named Executive Officer at the time the restricted stock was granted.

The Committee believed that the combination of performance-based restricted stock and non-qualified stock options would provide an effectively balanced incentive for management to improve the Corporation s financial performance. All executive officers received approximately 80 percent of the value of the parent company portion of their long-term incentive awards in performance-based restricted stock, with the exception of Mr. Rinaldi who received time-based restricted stock, and approximately 20 percent in stock options. In the recent past, the parent company portion of the long-term incentive has been heavily weighted towards, or entirely in the form of, stock options. The Committee reduced the use of stock options to reduce potential dilution of existing shareholders, to encourage retention of officers, and to reflect changing market practice. The Committee consulted its executive compensation consultant on these issues.

Equity Incentives

A portion of long-term incentive grants is delivered in the form of Corporation common stock or options to acquire Corporation common stock. All equity grants to our executive officers require Committee approval. In 2008, two forms of equity grants were made, stock options and restricted stock. Five restricted stock grants were performance-based, with the remaining restricted stock grants being time-based, which the Committee viewed as consistent with market practice and expectations.

The performance-based restricted stock granted in 2008 is subject to a three calendar years vesting measurement period commencing on January 1 of the year the award was granted and ending on December 31 of the second full year following the year in which the award was granted. The restricted period commences on the date of the award and ends on the Committee Certification Date, which is the date on which the Compensation Committee certifies the calculation of the percentage of vested shares based on the Corporation s average incentive payout level relative to target performance under the Irwin Financial Corporation and Affiliates Amended and Restated Short Term Incentive Plan during the three years of the vesting measurement period following the end of the vesting measurement period. The number of shares of restricted stock that do not vest at the end of the restricted period shall automatically be forfeited and returned to the Corporation. Dividends are subject to vesting and forfeiture to the same extent as the underlying restricted stock. During the restricted period, the performance-based restricted shares granted can be voted by the Named Executive Officers.

All stock options granted in 2008 are subject to a vesting schedule where 25 percent of each grant is vested on the date of the grant and 25 percent vests on the grant s anniversary date in each of the three years following the grant. If not exercised, the options expire in ten years (or earlier in the case of termination of employment). A summary of all outstanding stock options, unvested performance-based restricted stock grants, unvested time-based restricted stock grants and additional terms and conditions is set forth in the Outstanding Equity Awards at Fiscal Year End 2008 table under the section Exercises and Holdings of Previously Awarded Equity.

The stock option exercise price and the value used for determining the number of performance-based and time-based restricted stock grants awarded are equal to the closing market price of our stock on the date the Committee approves the grants. A summary of all the stock option grants made to our Named Executive Officers in 2008 is set forth in the table under the section Grants of Plan-Based Awards in Fiscal Year 2008.

Line-of-Business Performance Unit Plans

Performance unit plans are in place for all of the Corporation s lines of business. These plans serve to motivate line-of-business managers to increase the value of their respective segments over time. For 2008, line-of-business presidents received two-thirds of their annual long-term incentive grant from these plans. The remaining one-third of the long-term incentive for a line-of-business president was received in the form of performance-based restricted stock and stock options except for Mr. Rinaldi who received his restricted stock as time-based restricted stock.

The performance unit plans all have the same fundamental design. The plans call for annual grants, each with a three-year term. The grants are similar to restricted stock in that grantees have rights to the full value of the performance unit, not just appreciation. Performance unit plan grants vest depending on how the line of business achieves short-term incentive targets over the three-year grant period. If the line of business achieves short-term incentive targets or better, on average, over the three-year period, 100 percent of the grants will vest. If the line of business achieves threshold for payment or worse, on average, none of the grants will vest. Vesting is pro-rated between threshold and target. Payment is normally made in cash at the end of the three-year period.

The performance unit grants made to Messrs. Rinaldi and Kime and Ms. Martin-Leano in 2008 are set forth in the table under the section Grants of Plan-Based Awards in Fiscal Year 2008. A performance grant made to Ms. Martin-Leano in 2006, which grant was designed to be a three year grant for 2006, 2007, and 2008, was cancelled in February 2008 by the Committee, because it was unlikely to provide any incentive. Performance units were also granted to Mr. LaLeggia in 2008, but no payment was made when Mr. LaLeggia terminated his employment with the company on July 30, 2008.

D. Retirement and Other Benefits

Our employee benefit plans, including 401(k) savings plans, health, life, disability insurance and other employee benefit programs, are an important component of our compensation system. We believe it is important to offer these benefits in order to remain competitive in recruiting and retaining talented employees. Named Executive Officers are eligible to participate in the same employee benefit plans offered to our general employee population. With the exception of the Irwin Financial Corporation Restated Supplemental Executive

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Retirement Plan (the SERP) and perquisites discussed below, we offer these benefits generally on the same terms to Named Executive Officers as to all other employees.

The Internal Revenue Service limits reduce the benefits that an employee can earn under the basic formula of the Irwin Financial Corporation Employees Pension Plan (the Employees Pension Plan). As a result, the Corporation provides an additional benefit under the SERP. The SERP is provided to executive officers in order to make them whole for the benefits under the basic formula that could not be provided under the Employees Pension Plan due to these limits. The SERP is not funded and is a general obligation of the Corporation. As of January 31, 2009, the Board of Directors implemented a freeze of the Irwin Financial Corporation Employees Pension Plan and the individual SERPs. Upon retirement eligibility, employees will receive the pension benefits they accrued prior to the freeze. The Plans were closed to new participants after January 31, 2009. *See* the section Post Employment Compensation for further discussion of the Employees Pension Plan and the SERP.

E. Perquisites and Other Personal Benefits

The Corporation provides Named Executive Officers with perquisites and other personal benefits that the Corporation and the Committee believe are reasonable and consistent with the overall compensation program. These perquisites and other personal benefits better enable the Corporation to attract and retain talented employees for key positions. The Committee periodically reviews the levels of perquisites and other personal benefits provided to Named Executive Officers. Costs of the perquisites and other personal benefits for the Named Executive Officers in 2008 are included in the All Other Compensation table under the section Supplemental Annual Compensation Tables.

F. Retention Payments for Certain Executive Officers

On October 10, 2008, the Committee approved a series of contingent retention incentive payments to Mr. Ehlinger, Mr. Kime, and one other executive officer. The payments were made in four (4) equal installments, as of the end of each month starting on October 31, 2008. Each installment was contingent on each executive s remaining employed with the Corporation as of the payment date. Under this arrangement, Mr. Ehlinger received payments totaling $105,332 and Mr. Kime received payments totaling $101,322. Mr. Ehlinger received $78,999 of these payments in 2008 and $26,333 in 2009. Mr. Kime received payments totaling $75,999 in 2008 and the remaining $25,333 payment in 2009. On August 27, 2008, the Committee approved a series of contingent retention incentive payments for Ms. Martin-Leano. Two installments totaling $62,500 were paid in 2008, contingent on Ms. Martin-Leano remaining employed with the Corporation as of the payment date. The third and final installment of $62,500 will not be made because the conditions were not met by closing a platform purchase transaction for the home equity line of business between Roosevelt Management Company, LLC, Irwin Home Equity Corporation and Irwin Financial Corporation. On March 27, 2009 the Committee approved a new retention incentive agreement for Ms. Martin-Leano. A single payment of $62,500 will be made if Ms. Martin-Leano meets certain conditions. Those conditions include the Corporation s transition out of the home equity line of business. The transition out of this business could occur in a variety of ways, including, without limitation, a completed sale or other disposition of the platform, servicing, and residual components of the business, either as a whole or in individual parts. The completed transition could also occur through a wind-down and closure of the business or through a combination of any of the above events or other events. Regardless of the form of transition by the Corporation, the Management Committee of Irwin Home Equity will determine the point at which the nature of the Corporation s transition

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is such that the retention payment shall be made. After the Corporation has completed its transition out of the business, the Corporation will pay the retention payment to Ms. Martin-Leano on the condition that she has used her best profession efforts in assisting with the transition or any related events, and on the further condition that she is employed by the Corporation when the transition is completed.

Executive Compensation Consultant

The firm of Towers Perrin has provided executive compensation advice to the Committee since October 2007. The firm was engaged directly by the Committee, not by management. Executive officers and other management assist the Committee in preparing materials for Committee meetings and discussion. With regard to compensation matters involving the executive officers of the Corporation, the compensation consultant reports directly to Committee members. The compensation consultant also periodically provides the Committee information on the nature and scope of services it provides the Corporation other than with regard to compensation of the executive officers.

Employment Agreements, Separation from Service, Change in Control

The only Named Executive Officer who had an employment agreement was Mr. LaLeggia, who resigned from the Corporation at the close of business on July 30, 2008, in connection with the sale of the Corporation s Canadian small-ticket leasing business and the Corporation s U.S. small-ticket leasing portfolio. A description of the payments made to Mr. LaLeggia in connection with the job elimination is also set forth in the section Potential Payments on Termination of Employment or Change in Control.

Executive Stock Ownership

The Committee annually reviews the stock ownership level of each executive officer. Given the alignment of management s interest with those of shareholders through Mr. Miller s ownership stake in the Corporation, the Committee has not adopted formal stock ownership guidelines at this time. The Corporation s Insider Trading Policy prohibits executive officers from margining Irwin Financial stock in the form of a pledge to a broker as collateral or otherwise pledging Irwin Financial stock.

Compensation Committee Report