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FIRST MID ILLINOIS BANCSHARES INC
Form DEF 14A
April 12, 2005

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant |X|

Filed by a Party other than the Registrant |_|

Check the appropriate box:

- |_| Preliminary Proxy Statement
- |_| Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- |X| Definitive Proxy Statement
- |_| Definitive Additional Materials
- |_| Soliciting Material pursuant to Rule 14a-12

FIRST MID-ILLINOIS BANCSHARES, INC.
(Name of Registrant as Specified in its Charter)

FIRST MID-ILLINOIS BANCSHARES, INC.
(Name of Person(s) Filing Proxy Statement)

Payment of filing fee (check the appropriate box):

- |X| No fee required.
- |_| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - (1) Title of each class of securities to which transaction applies:
 - (2) Aggregate number of securities to which transaction applies:
 - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
 - (4) Proposed maximum aggregate value of transaction: (5) Total fee paid:
- |_| Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No. : (3) Filing Party:
- (4) Date Filed:

April 19, 2005

Dear Fellow Stockholder:

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On behalf of the Board of Directors and management of First Mid-Illinois Bancshares, Inc., I cordially invite you to attend the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. to be held at 4:00 p.m. on May 25, 2005, in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois.

The accompanying Notice of Annual Meeting of Stockholders and Proxy Statement discuss the business to be conducted at the meeting. We have also enclosed a copy of the Company's 2004 Report to the Owners and its Annual Report on Form 10-K for the recently completed fiscal year. At the meeting, we will report on Company operations and the outlook for the year ahead. Directors and officers of the Company, as well as a representative of KPMG LLP, the Company's independent auditors, will be present to respond to any appropriate questions stockholders may have.

I encourage you to attend the meeting in person. Whether or not you plan to attend the meeting, please act promptly to vote your shares. You may vote your shares by completing, signing and dating the enclosed proxy card and returning it in the accompanying postage paid envelope provided. You also may vote your shares by telephone or through the Internet by following the instructions set forth on the proxy card. If you attend the meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. This will ensure that your shares are represented at the meeting. If you have any questions concerning these matters, please contact me at (217) 258-0415 or Christie Wright, Manager of Shareholder Services, at (217) 258-0493. We look forward with pleasure to seeing and visiting with you at the meeting.

Very truly yours,

FIRST MID-ILLINOIS BANCSHARES, INC.

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

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

Notice of
Annual Meeting of Stockholders
To Be Held May 25, 2005

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

NOTICE IS HEREBY GIVEN, that the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. will be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, May 25, 2005 at 4:00 p.m. local time.

The meeting is for the purpose of considering and acting upon:

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1. The election of three directors of the Company; and
2. Such other matters as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on April 1, 2005 as the record date for the determination of the stockholders entitled to vote at the meeting and any adjournments thereof.

You are requested to act promptly to vote your shares by completing, signing and returning the enclosed proxy card in the enclosed return envelope or by telephone or through the Internet by following the instructions set forth on the proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ William S. Rowland

William S. Rowland
Chairman and Chief Executive Officer

Mattoon, Illinois
April 19, 2005

Proxy Statement

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of First Mid-Illinois Bancshares, Inc. to be voted at the Annual Meeting of Stockholders to be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, May 25, 2005 at 4:00 p.m. local time. The Board of Directors would like to have all stockholders represented at the meeting. Please complete, sign and return your proxy card in the enclosed return envelope, telephone the toll-free number listed on your proxy card, or use the Internet site listed on your proxy card.

The accompanying Notice of Annual Meeting, this Proxy Statement and the proxy card are first being mailed to stockholders on or about April 19, 2005. The Company's Annual Report on Form 10-K for the recently completed fiscal year, which includes the consolidated financial statements of the Company, is also enclosed.

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

Only holders of record of the Company's Common Stock at the close of

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business on April 1, 2005 (the "Record Date") will be entitled to vote at the annual meeting or any adjournments or postponements of such meeting. On the Record Date, the Company had 4,443,296 shares of Common Stock issued and outstanding. In the election of directors, and for any other matters to be voted upon at the annual meeting, each issued and outstanding share of Common Stock is entitled to one vote.

You may revoke your proxy at any time before it is voted. Unless so revoked, the shares represented by such proxies will be voted at the annual meeting and all adjournments thereof.

You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Secretary of the Company at 1515 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, by executing and delivering a subsequently dated proxy, by voting by telephone or through the Internet on a later date, or by attending the annual meeting and voting in person. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, proxies will be voted in accordance with the recommendations of the Board of Directors with respect to the proposal described herein.

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

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

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth, as of March 1, 2005, the number of shares of Common Stock beneficially owned by each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock (who are not also directors), each director nominee of the Company, each director, the "named executive officers" (as defined below) and all director nominees, directors and executive officers of the Company as a group.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership(1) | Perce Stoc |
|---|---|---------------|
|---|---|---------------|

Principal Stockholders

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| | |
|--|-------------|
| David R. Hodgman c/o Schiff Hardin LLP 6600 Sears Tower Chicago, Illinois 60606 | 255,966 (2) |
|--|-------------|

Director Nominees, Directors and Named Executive Officers:

| | |
|--|--------------------|
| Charles A. Adams | 375,931 (3) |
| Kenneth R. Diepholz | 41,608 (4) |
| Joseph R. Dively | 2,850 (5) |
| Steven L. Grissom | 290,728 (6) |
| Richard Anthony Lumpkin | 419,216 (7) |
| Daniel E. Marvin, Jr. | 94,327 (8) |
| Gary W. Melvin | 190,726 (9) |
| Sara Jane Preston | 15,447 (10) |
| William S. Rowland | 80,340 (11) |
| Ray Anthony Sparks | 187,858 (12) |
| John W. Hedges | 17,467 (13) |
| Robert J. Swift, Jr. | 2,580 (14) |
| Stanley E. Gilliland | 44,602 (15) |
| Michael L. Taylor | 9,062 (16) |
| All directors and executive officers as a group (17 persons) | 1,786,301 (17) |

(1) Unless otherwise indicated, the nature of beneficial ownership for shares shown in this column is sole voting and investment power. The information contained in this column is based upon information furnished to the Company by the persons named above.

(2) The above amount includes 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Hodgman, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 255,966 shares held by these trusts.

(3) The above amount includes 84,030 shares held by Mr. Adams individually. The above amount also includes 253,481 shares of Common Stock held by a corporation which Mr. Adams is deemed to control; 5,202 shares held by Mr.

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Adams' spouse, over which shares Mr. Adams has no voting and investment power; 28,718 shares held for the account of Mr. Adams under the Company's Deferred Compensation Plan; and options to purchase 4,500 shares of Common Stock.

- (4) The above amount includes 13,255 shares held by Mr. Diepholz individually. The above amount also includes 15,228 shares held for the account of Mr. Diepholz under an Individual Retirement Account; and options to purchase 13,125 shares of Common Stock.
- (5) The above amount includes 600 shares held by Mr. Dively individually and options to purchase 2,250 shares of common stock.
- (6) The above amount includes 26,137 shares held by Mr. Grissom. The above amount also includes 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 127,983 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Grissom, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing 255,966 shares held by these trusts. The above amount also includes options to purchase 8,625 shares of Common Stock.
- (7) The above amount includes 180,566 shares held by Mr. Lumpkin individually. The above amount also includes 88,732 shares held by The Lumpkin Family Foundation, of which Mr. Lumpkin serves as a trustee, and of which shares beneficial ownership is disclaimed; 66,989 shares held by SKL Investment Group, of which Mr. Lumpkin is a voting member; 37,746 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin, under which Mr. Lumpkin has sole voting and investment power; 32,058 shares held for the account of Mr. Lumpkin under the Company's Deferred Compensation Plan; and options to purchase 13,125 shares of Common Stock.
- (8) The above amount includes 20,282 shares held by Mr. Marvin individually. The above amount also includes 19,750 shares held by Mr. Marvin's spouse, over which shares Mr. Marvin has no voting or investment power and of which Mr. Marvin disclaims beneficial ownership; 2,307 shares held by Mr. Marvin's grandchildren, over which Mr. Marvin has shared voting and investment power; 24,091 shares held for the account of Mr. Marvin under an Individual Retirement Account; 6,897 shares held for the account of Mr. Marvin under the Company's Deferred Compensation Plan; and options to purchase 21,000 shares of Common Stock.
- (9) The above amount includes 153,580 shares held by Mr. Melvin. The above amount also includes 24,021 shares held for the account of Mr. Melvin under the Company's Deferred Compensation Plan; options to purchase 13,125 shares of Common Stock.
- (10) The above amount includes 4,425 shares held by Ms. Preston individually. The above amount also includes 2,397 shares held for the account of Ms. Preston under the Company's Deferred Compensation Plan; and options to purchase 8,625 shares of Common Stock.
- (11) The above amount includes 635 shares held by Mr. Rowland individually. The above amount also includes 16,522 shares for the account of Mr. Rowland under an Individual Retirement Account; 5,460 shares held for the account of Mr. Rowland under the Company's 401(k) Plan; 4,038 shares held for the account of Mr. Rowland under the Company's Deferred Compensation Plan; and options to purchase 53,685 shares of Common Stock.

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- (12) The above amount includes 107,348 held by Mr. Sparks. The above amount also includes 57,682 shares held by Sparks Investment Group, LP, and 2,600 held by the Sparks Foundation over which Mr. Sparks shares voting and investment power; 5,730 shares held by Mr. Sparks' spouse, over which shares Mr. Sparks has no voting and investment power; 675 shares by Mr. Sparks' child, over which Mr. Sparks has shared voting and investment power; 11,573 shares held for the account of Mr. Sparks under the Company's Deferred Compensation Plan; and options to purchase 2,250 shares of Common Stock.
- (13) The above amount includes 375 shares held by Mr. Hedges individually. The above amount also includes 881 shares held for the account of Mr. Hedges under the Company's 401(k) Plan; 2,029 shares held for the account of Mr. Hedges under the Company's Deferred Compensation Plan; and options to purchase 14,182 shares of Common Stock.
- (14) The above amount includes 1,277 shares held for the account of Mr. Swift under the Company's 401(k) Plan; and 1,303 shares held for the account of Mr. Swift under the Company's Deferred Compensation Plan.
- (15) The above amount includes 12,198 shares held by Mr. Gilliland. The above amount also includes 3,412 shares held for the account of Mr. Gilliland under an Individual Retirement Account; 11,466 shares held for the account of Mr. Gilliland under the Company's 401(k) Plan; 2,218 shares held for the account of Mr. Gilliland under the Company's Deferred Compensation Plan; and options to purchase 15,308 shares of Common Stock.
- (16) The above amount includes 1,092 shares held by Mr. Taylor individually. The above amount also includes 376 shares held for the account of Mr. Taylor under the Company's 401(k) Plan; and options to purchase 7,594 shares of Common Stock.
- (17) Includes an aggregate of 179,644 shares obtainable upon the exercise of options.
- (18) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options by such individual which are exercisable within 60 days.
- (19) Percentage is calculated on a fully diluted basis, assuming the exercise of all stock options which are exercisable within 60 days by individuals included in the above table.

* Less than 1%.

As of March 1, 2005, the Bank acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which own or hold 194,155 shares or 4.4% of the outstanding Common Stock of the Company, over which the Bank has sole voting and investment power with respect to 170,681 shares or 3.8% of the outstanding Common Stock and shared voting and investment power with respect to 23,474 shares or .5% of the outstanding Common Stock.

PROPOSAL I - ELECTION OF DIRECTORS

The directors of the Company are divided into three classes having staggered terms of three years. At the annual meeting, the stockholders will be entitled to elect three Class I directors for a term expiring in 2008. The number of directors is ten, comprised of three Class I directors, four Class II directors, and three Class III directors.

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For this year's annual stockholders meeting, the Board of Directors has nominated for election as Class I directors Kenneth R. Diepholz, Steven L. Grissom, and Gary W. Melvin. Messrs. Diepholz, Grissom and Melvin have served as directors of the Company since 1990, 2000 and 1990, respectively. The three individuals receiving the highest number of votes cast will be elected as directors of the Company and will serve as Class I directors for three year terms expiring in 2008. Broker non-votes, because they are not considered votes cast, will not be counted in the vote totals. The Company has no knowledge that any of the nominees will refuse or be unable to serve, but if any of the nominees becomes unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

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

| Name | Age at April 1, 2005 | Principal Occupation |
|--------------------------------|----------------------------|---|
| DIRECTOR NOMINEES | | |
| Kenneth R. Diepholz | 66 | Director of the Bank (since 1984) and of the Company (since 2000); President, Ken Diepholz Chevrolet, Inc. (until 2000) and Vice President, Ken Diepholz Chevrolet, Inc. (since 2000); Vice President, Diepholz Auto Group (since 2003); President, D-Co Coin Laundry; President, Augusta Lakes; Owner, Diepholz Rentals. |
| Steven L. Grissom | 52 | Director of the Bank and the Company (since 2000); Treasurer and Secretary of Consolidated Communications, Inc. (since 2003); Administrative Officer of SKL Investment Group, LLC (since 1997); Treasurer of Illinois Consolidated Telephone Company (since 1989); Secretary of Illinois Consolidated Telephone Company (since 2003). |
| Gary W. Melvin | 56 | Director of the Bank (since 1984) and of the Company (since 2000); Director of Data Services (since 1987); President and Co-Owner, Rural King Stores. |
| DIRECTORS CONTINUING IN OFFICE | | |
| Joseph R. Dively | 45 | Director of the Bank and the Company (since 2004); Senior Vice President of Consolidated Communications, Inc. and President of Illinois Telephone Operations (since 2003); Vice President of Illinois Consolidated Telephone Company (until 2002). |
| Richard Anthony Lumpkin | 70 | Director of the Bank (since 1966) and of the Company (since 2000); Chairman of the Board of Homebase Acquisition, LLC (since 2003); Chairman of the Board of Consolidated Communications, Inc. (since 2003); Chairman of the |

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Board of Consolidated Communications Ventures Company (since 2004); Director of Ameren Corporation (since 1995); Vice Chairman, McLeod USA Inc. (until 2002) Chairman, President, and CEO, Illinois Consolidated Telephone Company (until 2002); in 1997, Illinois Consolidated Telephone Company merged with McLeod USA; in January 2002, McLeod USA filed a pre-negotiated plan of reorganization through a Chapter 11 petition filed in the U.S. Bankruptcy Court for the District of Delaware in order to complete a recapitalization; in April 2002, this plan of reorganization became effective and McLeod USA emerged from Chapter 11 protection; in December 2002, a corporation led by Lumpkin (Homebase Acquisition, LLC) completed its acquisition of Illinois Consolidated Telephone Company and other operating entities from McLeod USA in connection with the recapitalization; Director of Illuminet Holdings, Inc. (until 2001).

| | | |
|-----------------------|----|--|
| Sara Jane Preston | 64 | Director of the Bank (since 1999) and of the Company; Director of Checkley (since 2002); retired President and CEO of Charleston National Bank and the southern Illinois lending operations of its successor organizations (Boatmen's National Bank, NationsBank and BankAmerica). |
| William S. Rowland | 58 | Chairman, President, Chief Executive Officer and Director of the Company; Executive Vice President (1997-1999), Treasurer and Chief Financial Officer (1989-1999) of the Company; Director of Data Services (since 1989); Director (since 1999), Chairman (since 1999), and Executive Vice President (1989-1999) of Bank; Director of Checkley (since 2002). |
| Charles A. Adams | 63 | Director of the Bank (since 1989) and of the Company; Director of Data Services (since 1987); Director of Checkley (since 2002); President, Howell Paving, Inc. |
| Daniel E. Marvin, Jr. | 66 | President Emeritus, Eastern Illinois University (since 2002); Chairman, President, Chief Executive Officer (1983-1999) and Director of the Company; Director (since 1980), Chairman (1983-1999), and President/Chief Executive Officer (1983-1997) of the Bank; Director of Data Services (1987-1992). |
| Ray Anthony Sparks | 48 | Director of the Bank (since 1997) and of the Company; Director of Data Services (since 1996); Director of Checkley (since 2002); former President of Elasco Agency Sales, Inc. and Electrical Laboratories and Sales Corporation; private investor, Sparks Investment Group, LP. |

The Board of Directors recommends a vote "FOR" the election of Directors Diepholz, Grissom and Melvin for a term of three years.

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| Name | Age at April 1, 2005 | Principal Occupation |
|--------------------------|----------------------------|--|
| NAMED EXECUTIVE OFFICERS | | |
| John W. Hedges | 57 | President of the Bank (since 1999) Vice President of the Company (since 1999) Senior Vice President, National City Bank (since 1999). |
| Robert J. Swift, Jr. | 53 | Executive Vice President of the Bank and Vice President of the Company (since 2000) former Senior Vice President, Centennial Bank (until 2000). |
| Stanley E. Gilliland | 60 | Executive Vice President of the Bank (since 1994) and Vice President of the Company (since 1984). |
| Michael L. Taylor | 36 | Executive Vice President and Chief Financial Officer of the Bank (since 2000) and Vice President of the Company (since 2000) Chief Financial Officer of the Company (since 2000) Vice President of AMCORE Bank (until 2000). |

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company has established an audit committee and a compensation committee. These committees are composed entirely of outside directors. The Board has also created other company-wide committees composed of officers of the Company and its subsidiaries.

The Company does not maintain any standing nominating committee. The entire Board performs the functions of a nominating committee, and considers and acts on all matters relating to the nomination of individuals for election as directors. The Board does not believe it needs a separate nominating committee because the Board has the time and resources to perform the function of selecting director nominees. Also, more than two-thirds of the directors satisfy the independence requirements of the New York Stock Exchange. When the Board performs its nominating function, the Board acts in accordance with the Company's Certificate of Incorporation.

Stockholders entitled to vote for the election of directors may submit candidates for consideration by the Company if the Company receives timely written notice, in proper form, for each such director nominee. If the notice is not timely and in proper form, the nominee will not be considered by the Company. To be timely for the annual meeting, the notice generally must be

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received within the time frame set forth in "Notice Provisions For Stockholder Nominations of Directors" below. To be in proper form, each written nomination must set forth: (1) the name, age, business address and, if known, the residence address of the nominee, (2) the principal occupation or employment of the nominee for the past five years, and (3) the number of shares of stock of the Company beneficially owned by the nominee and by the nominating stockholder.

In the consideration of director nominees, including any nominee that a stockholder may submit, the Board of Directors considers, at a minimum, the following factors for new directors, or the continued service of existing directors: (a) the ability of the prospective nominee to represent the interests of the stockholders of the Company; (b) the prospective nominee's standards of integrity, commitment and independence of thought and judgment; (c) the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties; and (d) the extent to which the prospective nominee contributes to the range of talent, skill and expertise appropriate for the Board.

Members of the audit committee are Messrs. Adams, Diepholz, Dively, Grissom, Marvin, Melvin, and Sparks, and Ms. Preston. The audit committee assists the Board of Directors in overseeing the corporate financial reporting process and the internal and the independent outside audits of the Company. The audit committee met eight times in 2004.

The members of the compensation committee are Messrs. Adams, Diepholz, Dively, Grissom, Lumpkin, Marvin, Melvin, and Sparks, and Ms. Preston. The compensation committee reports to the Board of Directors and has responsibility for all matters related to compensation of executive officers of the Company, including review and approval of base salaries, conducting a review of salaries of executive officers compared to other financial services companies in the region, fringe benefits, including modification of the retirement plan, and incentive compensation. The compensation committee met three times in 2004.

A total of 14 regularly scheduled and special meetings were held by the Board of Directors of the Company during 2004. During 2004, all directors attended at least 75 percent of the meetings of the Board and the committees on which they served.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The members of the audit committee of the Company during the fiscal year ended December 31, 2004 were Messrs. Sparks (Chairman), Adams, Diepholz, Dively, Grissom, Marvin, and Melvin, and Ms. Preston. The Board of Directors determined that each member of the audit committee satisfies the independence requirements of the New York Stock Exchange.

The Securities and Exchange Commission requires that boards of directors determine whether any audit committee member qualifies as an "audit committee financial expert." The Board of Directors determined that Steven L. Grissom is an audit committee financial expert.

The audit committee acts pursuant to a written charter that was reviewed and reassessed for adequacy and reaffirmed by the Board of Directors on January 25, 2005. The audit committee will continue to review and reassess the charter from time to time but not less than annually. A copy of this Audit Committee Charter is attached as Appendix A to this Proxy Statement.

The audit committee reviewed and discussed with management the Company's audited financial statements as of and for fiscal year ended December 31, 2004.

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The audit committee also discussed with the independent auditors, KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, by the Auditing Standards Board of the American Institute of Certified Public Accountants. The audit committee received the written disclosures from KPMG LLP required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as amended, and discussed with KPMG LLP the independence of that firm.

Based on the review and discussion referred to above, the audit committee affirmed the determination of the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

In addition, the audit committee considered whether the provision of services by KPMG LLP not related to the audit of the financial statements referred to above and to the reviews of the interim financial statements included in the Company's Forms 10-Q for the quarters ended March 31, 2004, June 30, 2004, and September 30, 2004 were compatible with maintaining the independence of KPMG LLP.

This audit committee report is submitted by the audit committee of the Board of Directors:

Ray Anthony Sparks, Chairman
Charles A. Adams
Kenneth R. Diepholz
Joseph R. Dively

Steven L. Grissom
Daniel E. Marvin, Jr.
Gary W. Melvin
Sara Jane Preston

FEES OF INDEPENDENT AUDITORS

Audit Fees. The aggregate fees billed for professional services rendered by KPMG LLP for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2004 and 2003, audit of the Company's internal control over financial reporting as of December 31, 2004, and the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for said fiscal years were \$233,800 and \$103,100, respectively.

Audit-Related Fees. The aggregate fees billed for professional services rendered by KPMG LLP for audit-related services for the fiscal years ended December 31, 2004 and 2003 (namely, employee benefit plan audit) were \$10,000 and \$9,600, respectively.

Tax Fees. The aggregate fees billed for professional services rendered by KPMG LLP for the fiscal year ended December 31, 2004 were \$4,850 for compliance and \$3,500 for a stock split tax treatment memorandum. Tax fees for the fiscal year ended December 31, 2003 were \$19,948 for amended tax returns and \$4,350 for compliance.

All Other Fees. The aggregate fees billed for professional services rendered by KPMG LLP for all products and services other than the foregoing for the fiscal years ended December 31, 2004 and 2003 were zero and zero, respectively.

The audit committee preapproves all auditing services and permitted non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The audit committee preapproved all services performed by the independent auditors in 2004.

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EXECUTIVE COMPENSATION

Summary Compensation Information. The following table summarizes compensation for services to the Company and the Company's subsidiaries for the years ended December 31, 2004, 2003 and 2002 paid to or earned by any person serving as the Chief Executive Officer of the Company, and the four other most highly compensated executive officers of the Company, who are sometimes herein referred to as the "named executive officers."

| Name and Principal Position | Year | Annual Compensation (1) | | Securities Underlying Options (#) |
|--|------|----------------------------|-----------|---|
| | | Salary (2) | Bonus | |
| William S. Rowland, Chairman, President and Chief Executive Officer of the Company | 2004 | \$ 214,000 | \$ 87,740 | 12,000 |
| | 2003 | \$ 200,000 | \$ 87,000 | 12,000 |
| | 2002 | \$ 187,000 | \$ 74,800 | 12,000 |
| John W. Hedges, Executive Vice President of the Company | 2004 | \$ 150,000 | \$ 38,850 | 4,875 |
| | 2003 | \$ 140,000 | \$ 40,915 | 4,875 |
| | 2002 | \$ 130,000 | \$ 40,950 | 4,875 |
| Robert J. Swift, Jr., Vice President of the Company | 2004 | \$ 128,000 | \$ 27,562 | 3,375 |
| | 2003 | \$ 126,500 | \$ 27,198 | 3,375 |
| | 2002 | \$ 126,500 | \$ 23,719 | 3,375 |
| Stanley E. Gilliland, Vice President of the Company | 2004 | \$ 118,400 | \$ 22,045 | 3,375 |
| | 2003 | \$ 116,000 | \$ 22,838 | 3,375 |
| | 2002 | \$ 113,500 | \$ 23,409 | 3,375 |
| Michael L. Taylor, Vice President and Chief Financial Officer of the Company | 2004 | \$ 110,000 | \$ 23,444 | 3,375 |
| | 2003 | \$ 100,000 | \$ 22,063 | 3,375 |
| | 2002 | \$ 94,000 | \$ 22,443 | 3,375 |

(1) None of the named executive officers received any perquisites or other personal benefits, securities, or property in an amount exceeding 10% of his salary and bonus during 2004, 2003, and 2002.

(2) Includes deferred amounts.

(3) Represents the Company's contributions to its retirement plan for 2004, 2003, and 2002 of \$12,300, \$12,000 and \$12,000, respectively, and an annual premium payment for an insurance policy purchased to fund a supplemental retirement and death benefit for Mr. Rowland in the amount of \$5,898 for each year.

(4) Represents the Company's contributions to its retirement plan for each given year.

The following table sets forth information regarding individual grants of stock options made in 2004 to the named executive officers.

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| Name | Number of Securities Underlying Options Granted (#) (1) | Percent of Total Options Granted to Employees in Fiscal Year | Exercise Price Per Share | Expiration Date | Potential Annual Restricted Share Awards (5%) |
|----------------------|---|--|--------------------------|-----------------|---|
| William S. Rowland | 12,000 | 22% | \$ 41.00 | 12/14/14 | \$ 309,000 |
| John W. Hedges | 4,875 | 9% | \$ 41.00 | 12/14/14 | \$ 125,000 |
| Robert J. Swift, Jr. | 3,375 | 6% | \$ 41.00 | 12/14/14 | \$ 87,000 |
| Stanley E. Gilliland | 3,375 | 6% | \$ 41.00 | 12/14/14 | \$ 87,000 |
| Michael L. Taylor | 3,375 | 6% | \$ 41.00 | 12/14/14 | \$ 87,000 |

(1) The options become exercisable with respect to 25% of the shares covered thereby beginning on January 1, 2006 and on each of the following three anniversaries of this date.

The following table sets forth information regarding the year-end values of unexercised stock options held by the named executive officers.

| Name | Shares Acquired on Exercise (#) | Value Realized | Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) | |
|----------------------|---------------------------------|----------------|--|---------------|
| | | | Exercisable | Unexercisable |
| William S. Rowland | -- | -- | 55,125 | 18,375 |
| John W. Hedges | -- | -- | 14,063 | 6,937 |
| Robert J. Swift, Jr. | 2,531.25 | \$78,410 (2) | -- | 5,062 |
| Stanley E. Gilliland | 2,250.00 | \$59,737 (2) | 17,438 | 5,062 |
| Michael L. Taylor | 843.75 | \$17,297 (2) | 7,594 | 5,062 |

(1) This amount represents the difference between the market value of one share of the Company's Common Stock on December 31, 2004 (\$38.00) and the option exercise price times the total number of shares subject to exercisable or unexercisable options.

(2) This amount represents the difference between the market value of one share of the Company's Common Stock on the day of exercise and the option exercise price times the number of shares exercised.

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Supplemental Executive Retirement Plan. The Company's supplemental executive retirement plan (the "SERP") applies to senior management employees recommended by the President and designated by the compensation committee. Mr. Rowland is the only member of current management which has been so designated. The SERP provides for Mr. Rowland to receive an annual benefit of a maximum of \$50,000 for a 20 year period following his retirement. This benefit is subject to a vesting schedule with full benefit vesting at age 63. The Company serves as beneficiary of life insurance policies on Mr. Rowland with a death benefit of \$750,000.

Employment Agreements. In January 2005, the Company entered into a new employment agreement with William S. Rowland. The employment agreement generally provides for an initial base salary, which may be increased but not decreased, and a bonus of up to 50% of base salary, as well as other benefits under the agreement. The agreement has an initial term of three years, which may be extended upon mutual agreement. In the event of termination of Mr. Rowland's

employment by the Company without cause, the Company will be obligated to pay an amount equal to one year's salary. Under certain circumstances, if Mr. Rowland's employment discontinues following a change in control of the Company, the successor to the Company is obligated, among other things, to pay an amount equal to two years' base salary. The employment agreement includes a covenant which limits the ability of Mr. Rowland to compete with the Bank for a period of two years following the termination of his employment. In October 2002, the Company entered into a similar agreement with John W. Hedges, which provides for a bonus of up to 35% of base salary, and a payment in an amount equal to two years' base salary if employment discontinues following a change in control of the Company.

In August 2003, the Company entered into a similar agreement with Robert J. Swift, Jr., which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company. In May 2004, the Company entered into a similar agreement with Stanley E. Gilliland, which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company. In May 2004, the Company entered into a similar agreement with Michael L. Taylor, which provides for a bonus of up to 25% of base salary and a payment in an amount equal to one year's base salary if employment discontinues following a change in control of the Company.

Compensation Committee Interlocks and Insider Participation. The members of the compensation committee of the Board of Directors of the Company for the fiscal year ended December 31, 2004 were Messrs. Diepholz (Chairman), Adams, Dively, Grissom, Lumpkin, Marvin, Melvin, and Sparks, and Ms. Preston. During the fiscal year ended December 31, 2004, no member of the compensation committee was an officer or employee or a former officer of the Company or its subsidiaries, other than Mr. Marvin, the former Chairman, President and Chief Executive Officer of the Company. Also, during the fiscal year ended December 31, 2004, Mr. Rowland served as a member of the compensation committee and as director of Coles Together, a not-for-profit economic development organization, and Mr. Grissom served as Treasurer of Coles Together; Messrs. Hedges and Sparks served as directors, and Mr. Grissom served as President, of Mattoon Area Industrial Development Corporation, a not-for-profit industrial development corporation; Ms. Preston and Messrs. Dively and Hedges served as members of the compensation committee and as directors of Sarah Bush Lincoln Health Systems, a not-for-profit medical facility; and Ms. Preston served as director of Eastern Illinois University Foundation, a not-for-profit organization. See also "Certain Relationships and Related Transactions."

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Compensation Committee Report. It is the compensation committee's responsibility to evaluate the performance of management, review total management compensation levels and consider management succession and other related matters. The committee reviews and approves in detail all aspects of compensation for the senior management of the Company.

Compensation for senior management generally includes base salary, annual performance-based incentives and long-term stock incentives. The committee uses a "peer group" of financial institutions, including Illinois banks, public banking companies in the general area and commercial banks in the Midwest region in assessing competitive compensation trends and pay levels.

Base Salaries. Base salaries for executive officers are reviewed annually and may be adjusted, when appropriate, to reflect competitive practices, changes in roles and responsibilities, and individual performance.

Annual Incentive Compensation. Annual incentive amounts are payable contingent upon the performance of the Company, as well as the individual contribution of each officer. As a result, a portion of each executive officer's annual compensation is based upon the officer's performance, the performance of the operating unit for which the officer has primary responsibility, and the performance of the Company as a whole. The formulas for measuring performance and awarding bonuses objectively link financial and individual performance with bonus amounts.

Long Term Stock Incentive Compensation. Stock incentive awards are made under the stockholder-approved First Mid-Illinois Bancshares, Inc. 1997 Stock Incentive Plan (the "Plan"). The Plan is intended to provide a means whereby executive officers may sustain a sense of proprietorship and personal involvement in the continued success of the Company, and to encourage them to remain with and devote their best efforts to the business of the Company, thereby advancing the interest of the Company and its stockholders.

Chief Executive Officer Compensation. The compensation package for Mr. Rowland was determined in the same manner as for all other executive officers, except for Mr. Rowland's annual incentive compensation as described below. In December 2003, the compensation committee reviewed Mr. Rowland's base salary by evaluating the responsibilities of his position and his experience and performance. In addition, the compensation committee reviewed the comparison to base salaries for chief executive officers at peer group companies, and determined to increase Mr. Rowland's 2004 base salary from \$200,000 in 2003 to \$214,000 for 2004. Mr. Rowland's 2004 annual incentive compensation was based 100% on the Company's total performance without reference to any particular operating unit of the Company or personal objectives. The Company's total performance was measured by comparing the financial results of the Company to the 2004 earnings per share goal established by the compensation committee in November 2003. The compensation committee established \$2.15 as the superior level of earnings per share in 2004 necessary for Mr. Rowland to receive a payout of 100% of his annual incentive compensation. Since earnings per share in 2004 were \$2.13, Mr. Rowland received an 82% payout, amounting to 41% of his base salary. Finally, in 2004, Mr. Rowland was awarded 12,000 stock options under the Plan.

The 2004 earnings per share of \$2.13 represented a \$.25 or 13% improvement from 2003's level. Also, the Company's market share increased and various other improvements were made in the Company's operating and administrative functions. Accordingly, Messrs. Rowland, Hedges, Swift, Gilliland, and Taylor were awarded incentive bonuses of \$87,740, \$38,850, \$27,562, \$22,045, and \$23,444, respectively.

The relationships between the base salaries and incentive compensation of

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Messrs. Rowland, Hedges, Swift, Gilliland, and Taylor for 2004, 2003, and 2002 were as follows:

| Incentive Compensation as a Percentage of Base Salary | | | |
|---|------|------|------|
| | 2004 | 2003 | 2002 |
| William S. Rowland | 41% | 44% | 40% |
| John W. Hedges | 26% | 29% | 32% |
| Robert J. Swift, Jr. | 22% | 22% | 19% |
| Stanley E. Gilliland | 19% | 20% | 21% |
| Michael L. Taylor | 21% | 22% | 24% |

This compensation committee report is submitted by the compensation committee of the Board of Directors:

| | |
|-------------------------------|-----------------------|
| Kenneth R. Diepholz, Chairman | Daniel E. Marvin, Jr. |
| Charles A. Adams | Gary W. Melvin |
| Joseph R. Dively | Sara Jane Preston |
| Steven L. Grissom | Ray Anthony Sparks |
| Richard Anthony Lumpkin | |

COMMON STOCK PERFORMANCE GRAPH

The following Common Stock price performance graph compares the cumulative total stockholder return on a \$100 investment in the Company's Common Stock to the cumulative total return of the S&P 500 Index and the Nasdaq Bank Stock Index for the period from December 31, 1999 through December 31, 2004. The amounts shown assume the reinvestment of dividends.

| | Cumulative Total Return | | | | |
|-------------------------------------|-------------------------|--------|--------|--------|--------|
| | 12/99 | 12/00 | 12/01 | 12/02 | 12/03 |
| FIRST MID-ILLINOIS BANCSHARES, INC. | 100.00 | 84.25 | 105.78 | 125.19 | 211.19 |
| S & P 500 | 100.00 | 90.89 | 80.09 | 62.39 | 80.00 |
| NASDAQ BANK | 100.00 | 117.64 | 125.14 | 127.22 | 163.00 |

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

COMMUNICATIONS WITH DIRECTORS

Any stockholder may communicate with any director by sending written correspondence addressed to such director in care of the Secretary of the

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Company at First Mid-Illinois Bancshares, Inc., 1515 Charleston Avenue, Mattoon, Illinois 61938. The Secretary or the designee thereof will forward such correspondence to the relevant director.

The Company expects directors to attend the annual meeting, absent scheduling or other similar conflicts. All of the directors attended the annual meeting in 2004.

DIRECTORS' COMPENSATION

Directors of the Company received a \$3,000 quarterly retainer for serving on the Board of Directors in 2004. Directors who are not employees of the Company also were granted in 2004 options to purchase 2,250 shares of the Company's Common Stock at an exercise price of \$41.00 per share. Such options have terms of ten years and became exercisable on their date of grant. Directors who are not employees of the Company also receive health insurance.

Audit committee members received \$500 for each audit committee meeting attended in 2004 and the audit committee chairman also received a \$2,000 annual retainer. The audit committee financial expert also received a \$1,500 annual retainer in 2004.

Compensation committee members received \$250 for each compensation committee meeting attended in 2004 and the compensation committee chairman also received a \$1,000 annual retainer.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Directors and officers of the Company and its subsidiaries and their associates were customers of and had transactions with the Company and its subsidiaries during 2004. Additional transactions may be expected to take place in the future. All outstanding loans, commitments to loan, transactions in repurchase agreements and certificates of deposit and depository relationships, in the opinion of management, were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time or comparable transactions with other persons and did not involve more than the normal risk of collectibility or present other unfavorable features. Specific 2004 transactions are described below.

Messrs. Lumpkin and Grissom served as directors of the Company and were the beneficial owners of more than five percent of the Company's Common Stock. In addition, Messrs. Lumpkin and Grissom have beneficial ownership in the equity holders of MACC, LLC and Effingham Hi-Tech Partners and the capital stock of Agracel, Inc. MACC, Effingham High-Tech and Agracel had outstanding loans with the Bank. The highest outstanding aggregate balances during 2004 and the December 31, 2004 aggregate balances and interest rates of this indebtedness for MACC was \$931,834 and \$831,202 at 5.00 percent; for Effingham High-Tech was \$2,480,835 and \$2,114,289 at 5.375 percent; and for Agracel was \$6,059,743 and \$5,691,175 at 5.50 percent.

Consolidated Communications, Inc., of which Mr. Lumpkin is Chairman and a beneficial owner, and of which Mr. Grissom is Treasurer and Secretary and a beneficial owner and of which Mr. Dively is Senior Vice President and a beneficial owner, and its affiliates provided paging, long distance/800 and private line services, voice mail and customer premise equipment services to the Company in the amount of \$476,006.

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On February 9, 2004, the Company acquired 37,500 shares of Common Stock from Mr. Lumpkin for \$1,187,500 and 37,500 shares of Common Stock from SKL Investment Group, LLC, of which Mr. Lumpkin is a voting member, for \$1,187,500.

Messrs. Diepholz, Melvin, Sparks, Adams, and Grissom who each served as director of the Company, had outstanding loans with the Bank. In addition, Messrs. Adams and Grissom were the beneficial owners of more than five percent of the Company's Common Stock. In the case of Mr. Diepholz, these loans included loans to Mr. Diepholz's sons, Robert D. Diepholz, Kenneth R. Diepholz, Jr., and Ronald Diepholz. The highest outstanding aggregate balances during 2004 and the December 31, 2004 aggregate balances and interest rates of this indebtedness was \$9,178,370 and \$8,325,513 at interest rates ranging between 5.25 and 6.75 percent for Mr. Diepholz; \$1,736,755 and \$1,511,887 at an interest rate of 5.25 percent for Mr. Melvin; \$1,863,923 and \$1,345,250 at an interest rate of 5.25 percent for Mr. Sparks; \$1,093,009 and \$833,009 at an interest rate of 5.25 percent for Mr. Adams; and \$121,036 and \$35,457 at an interest rate of 5.50 percent for Mr. Grissom.

NOTICE PROVISIONS FOR STOCKHOLDER NOMINATIONS OF DIRECTORS

Any stockholder wishing to nominate an individual for election as a director must comply with certain provisions in the Company's Certificate of Incorporation. The Company's Certificate of Incorporation establishes an advance notice procedure with regard to the nomination, other than by or at the direction of the Board of Directors of the Company, of candidates for election as directors. Generally, such notice must be delivered to or mailed to and received by the Secretary of the Company not fewer than 14 days or more than 60 days before a meeting at which directors are to be elected. The stockholder must also comply with certain other provisions set forth in the Company's Certificate of Incorporation relating to the nomination of an individual for election as a director. For a copy of the Company's Certificate of Incorporation, which includes the provisions relating to the nomination of an individual for election as a director, an interested stockholder should contact the Secretary of the Company at 1515 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938.

INDEPENDENT PUBLIC ACCOUNTANTS

KPMG LLP acted as independent certified public accountants of the Company and its subsidiaries for the fiscal year ending December 31, 2004. KPMG LLP has served as the Company's independent auditors since 1992. A representative from KPMG LLP is expected to be present at the annual meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions. The Company has not yet appointed its independent auditors for the fiscal year ending December 31, 2005 and expects to make that appointment later in the year.

INCLUSION OF STOCKHOLDER PROPOSALS IN PROXY MATERIALS

In order to be eligible for inclusion in the Company's proxy materials for next year's Annual Meeting of Stockholders, any stockholder proposal to take action at such meeting must be received at the Company's main office at 1515 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, no later than December 21, 2005. Any such proposal shall be subject to the requirements of the proxy rules adopted under the Securities Exchange Act of 1934.

OTHER MATTERS

The Board of Directors of the Company does not intend to present any other matters for action at the annual meeting, and the Board has not been informed that other persons intend to present any other matters for action at the annual meeting. However, if any other matters should properly come before the annual meeting, the persons named in the accompanying proxy intend to vote thereon, pursuant to the proxy, in accordance with the recommendation of the Board of Directors of the Company.

SECTION 16 - BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon its review of reports on Forms 3, 4 or 5 and any amendments furnished to the Company under Section 16 of the Securities Exchange Act of 1934, and written representations from the executive officers and directors that no other reports were required, the Company believes that all of these Forms were filed on a timely basis by reporting persons during the fiscal year ended December 31, 2004, except that late reports were filed by Messrs. Adams, Hedges, Lumpkin, Melvin, Sparks, Swift, and Rowland, and Ms. Preston with respect to deferred compensation received in shares or stock units on March 31, 2004. The transactions were reported to the Securities and Exchange Commission on April 5, 2004.

Appendix A
FIRST MID-ILLINOIS BANCSHARES, INC.
(the "Company")

Charter of the Audit Committee of the Board of Directors
As adopted January 25, 2005

Purpose

The Audit Committee is appointed by the Board of Directors to assist the Board in monitoring: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the Company's internal audit function and independent auditor.

The Audit Committee shall prepare the report required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement.

Membership

The Audit Committee shall consist of no fewer than three members. Each member of the Audit Committee shall meet the independence and experience requirements of the Federal Deposit Insurance Corporation Act of 1991 and the regulations relating thereto and the Securities Exchange Act of 1934 (the "Exchange Act") and the applicable rules and regulations of the SEC, as well as the independence requirements of the New York Stock Exchange.

Each member of the Audit Committee shall, in the judgment of the Board, have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements. At least one member of the Audit Committee shall be an "audit committee financial expert" as defined by the SEC. Audit Committee members shall be appointed by the Board of Directors. Audit Committee members may be replaced by the Board.

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Meetings

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee shall meet with management, the head of the internal audit department, and the independent auditor in separate executive sessions periodically, but not less frequently than annually, to discuss anything the Audit Committee or these groups believe should be discussed. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee, and to provide pertinent information as necessary. If the Chair of the Audit Committee is not present at a given meeting, the members of the Audit Committee present at such meeting may designate a Chair for that meeting by unanimous vote.

Authority and Responsibilities

The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification). The Audit Committee shall be directly responsible for the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The independent auditor shall report directly to the Audit Committee.

The Audit Committee shall preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, subject to the de minimis exceptions for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act which are approved by the Audit Committee prior to the completion of the audit.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting, or other advisors. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor for the purpose of rendering or issuing an audit report and to any advisors employed by the Audit Committee.

The Audit Committee shall make regular reports to the Board of Directors. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the full Board for approval. The Audit Committee shall review the Audit Committee's own performance annually.

The Audit Committee shall:

Financial Statement and Disclosure Matters

- o Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- o Establish a Disclosure Committee whose membership shall include, but not be limited to, the Audit Committee Chair, an audit committee financial expert, the Chief Executive Officer, and the Chief Financial Officer for the purpose of reviewing and discussing with management and the independent auditor the Company's quarterly financial statements prior to the filing of the Company's Form 10-Q, including the results of the independent auditor's procedures with respect to the quarterly financial statements.

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- o Review and discuss reports from the independent auditor on:
 - o All critical accounting policies and practices to be used.
 - o All alternative treatments of financial information within generally accepted accounting principles ("GAAP") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor.
 - o Other material written communications between the independent auditor and management such as any management letter or schedule of unadjusted differences.
- o Discuss with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls, and any special steps adopted in light of material control deficiencies.
- o Discuss with management the Company's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (consisting of discussing the types of information to be disclosed and the types of presentations to be made).
- o Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
- o Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, relating to the conduct of the audit.
- o Review the disclosures and certification made by the Company's Chief Executive Officer and Chief Financial Officer under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Oversight of the Company's Relationship with the Independent Auditor

- o Obtain and review a report from the independent auditor regarding, and discuss with the independent auditor, at least annually, all relationships between the independent auditor and the Company (including the matters set forth in Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees). Review and evaluate at least annually the qualifications, performance and independence of the independent auditor, including considering whether the provision of permitted non-audit services is compatible with maintaining the auditor's independence.
- o Ensure the rotation of audit partners as required by Section 10A(j) of the Exchange Act.
- o Recommend to the Board of Directors policies for the Company's hiring of employees or former employees of the independent auditor.
- o Review with the independent auditor any audit problems or difficulties and management's response.

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- o Discuss with management and the independent auditor the scope of the annual audit, significant accounting policies, and audit conclusions regarding significant accounting estimates.

Oversight of the Company's Internal Audit Function

- o Review the appointment, performance, and replacement of the head of the internal audit department.
- o Review the significant reports to management prepared by the internal audit department and management's responses and follow-ups to these reports.
- o Discuss with the independent auditor and management the internal audit department responsibilities, budget and staffing, and any recommended changes in the planned scope of the internal audit.

Compliance Oversight Responsibilities

- o Obtain from the independent auditor assurance that Section 10A(b) of the Exchange Act regarding the detection of illegal activity has not been implicated.
- o Obtain reports from management, the head of the internal audit department, and the independent auditor that the Company and its wholly-owned subsidiaries are in conformity with applicable legal requirements and the Company's Codes of Ethics. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Codes of Ethics.
- o Establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
- o Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies.

Limitation of Audit Committee's Role

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.

[] Mark this box with an X if you have made changes to your name or address details above.

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Annual Meeting Proxy Card

PLEASE REFER TO THE REVERSE SIDE FOR INTERNET AND TELEPHONE VOTING INSTRUCTIONS

A Election of Directors

1.The Board of Directors recommends a vote FOR the listed nominees.

| | | For | Withhold |
|----|---------------------|-----|----------|
| 01 | Kenneth R. Diepholz | _ | _ |
| 02 | Stephen L. Grissom | _ | _ |
| 03 | Gary W. Melvin | _ | _ |

B Issue

2. In their discretion, on such other matters that may properly come before the meeting and any adjournments thereof.

Mark this box with an X if you plan to attend the meeting |_ |

C Authorized Signatures -- Sign Here -- This section must be completed for your instructions to be executed.

Note: Please sign your name(s) EXACTLY as your name(s) appear(s). All joint holders, must sign. When signing as attorney, trustee, executor, administrator, guardian or corporate officer, please provide your FULL title.

Signature 1 - Please keep signature within the box

Signature 2 - Please keep signature within the box

Date (dd/mm/yyyy)

__ __/__ __/__ __ __ __

Proxy - FIRST MID-ILLINOIS BANCSHARES, INC.

PROXY is Solicited By the Board of Directors
For the Annual Meeting of Stockholders - May 25, 2005

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The undersigned hereby appoints Stanley E. Gilliland, John W. Hedges and Robert J. Swift, Jr., or any of them acting in the absence of the others, with full power of substitution, as attorneys and proxies, for and in the name and place of the undersigned, to vote the number of shares of Common Stock that the undersigned would be entitled to vote if then personally present and voting at the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc., to be held in the lobby of the First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on May 25, 2005, at 4:00 p.m., local time, or any adjournments or postponements thereof, upon the matters set forth in the Notice of Annual Meeting and Proxy Statement (receipt of which is hereby acknowledged) as designated on the reverse and, in their discretion, upon such other business as may come before the meeting.

THIS PROXY WILL BE VOTED IN ACCORDANCE WITH SPECIFICATIONS MADE. IF NO CHOICE IS INDICATED, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES LISTED HEREON.

YOUR VOTE IS IMPORTANT!

PLEASE VOTE YOUR SHARES BY TELEPHONE, THROUGH THE INTERNET, OR BY COMPLETING, SIGNING, DATING AND RETURNING THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE.

(Continued and to be signed and dated on the reverse side.)

Internet and Telephone Voting Instructions

You can vote by telephone OR Internet! Available 24 Hours a day 7 days a week! Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

To vote using the Telephone (within U.S. and Canada)

- * Call toll free 1-877-233-3044 in the United States or Canada any time on a touch tone telephone. There is NO CHARGE to you for the call.
- * Follow the simple instructions provided by the recorded message.

To vote using the Internet

- * Go to the following website:
WWW.COMPUTERSHARE.COM/US/PROXY
- * Enter the information requested on your computer screen and follow the simple instructions.

If you vote by telephone or the Internet, please DO NOT mail back this proxy card. Proxies submitted by telephone or the Internet must be received by 1:00 a.m., Central Time, on May 25, 2005.

THANK YOU FOR VOTING