

RURBAN FINANCIAL CORP
Form PRE 14A
February 11, 2008

RURBAN FINANCIAL CORP.
401 Clinton Street
Defiance, Ohio 43512
(419) 783-8950

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Defiance, Ohio
March 5, 2008

Dear Fellow Shareholders:

NOTICE IS HEREBY GIVEN that the 25th Annual Meeting of Shareholders (the "Annual Meeting") of Rurban Financial Corp. (the "Company") will be held at the Eagles Club, 711 W. Second Street, Defiance, Ohio, on Thursday, April 17, 2008, at 10:00 a.m., Eastern Daylight Savings Time, for the following purposes:

1. To consider and vote upon a proposal to adopt an amendment to the Company's Amended and Restated Regulations which would remove the 70-year age limit with respect to a person's election or re-election as a director of the Company.
2. If the proposal in Item 1 is adopted, to elect four (4) directors to serve for terms of three (3) years each.

OR

If the proposal in Item 1 is not adopted, to elect three (3) directors to serve for terms of three (3) years each.

3. To consider and vote upon a proposal to approve the Rurban Financial Corp. 2008 Stock Incentive Plan.
4. To transact such other business as may properly come before the Annual Meeting and any adjournment(s) thereof.

Shareholders of record at the close of business on February 19, 2008 are entitled to receive notice of, and to vote in person or by proxy at, the Annual Meeting and any adjournment(s) thereof.

You are cordially invited to attend the Annual Meeting. Your vote is important, regardless of the number of common shares you own. Whether or not you plan to attend the Annual Meeting, please sign, date and return your proxy card promptly in the enclosed envelope.

By Order of the Board of Directors,
Kenneth A. Joyce
President and Chief Executive Officer

RURBAN FINANCIAL CORP.

**Proxy Statement for the
Annual Meeting of Shareholders of
To Be Held On Thursday, April 17, 2008**

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Appendix A - Rurban Financial Corp. 2008 Stock Incentive Plan

RURBAN FINANCIAL CORP.
401 Clinton Street
Defiance, Ohio 43512
(419) 783-8950

PROXY STATEMENT FOR
THE ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON THURSDAY, APRIL 17, 2008

SOLICITATION AND VOTING

This proxy statement and the accompanying proxy card are being mailed to shareholders of Rurban Financial Corp. (the "Company") on or about March 5, 2008, in connection with the solicitation of proxies by the Board of Directors (the "Board") of the Company for use at the Annual Meeting of Shareholders (the "Annual Meeting") to be held on Thursday, April 17, 2008, or at any adjournment(s) thereof. The Annual Meeting will be held at 10:00 a.m., Eastern Daylight Savings Time, at the Eagles Club, 711 W. Second Street, Defiance, Ohio.

A proxy card for use at the Annual Meeting accompanies this proxy statement. Whether or not you plan to attend the Annual Meeting, you may ensure your representation by completing, signing, dating and promptly returning the enclosed proxy card in the envelope provided. You may revoke your proxy at any time before it is actually voted at the Annual Meeting (1) by giving written notice of revocation to the Secretary of the Company at the address of the Company shown on the cover page of this proxy statement; (2) by executing and returning a later-dated proxy card which is received by the Company prior to the Annual Meeting; or (3) by attending the Annual Meeting and giving notice of revocation in person (but only if you are the registered owner of your common shares). If your common shares of the Company ("Common Shares") are held in the name of your broker, financial institution or other holder of record and you wish to revoke your proxy in person, you must bring an account statement or letter from the broker, financial institution or other holder of record indicating that you were the beneficial owner of the Common Shares on the February 19, 2008 record date for the Annual Meeting (the "Record Date"). **Attendance at the Annual Meeting will not, in and of itself, constitute revocation of a proxy.**

Only shareholders of the Company of record at the close of business on the Record Date are entitled to receive notice of, and to vote at, the Annual Meeting and any adjournment(s) thereof. At the close of business on the Record Date, [4,966,933] Common Shares were outstanding and entitled to vote. Each Common Share of the Company entitles the holder thereof to one vote on each matter to be submitted to shareholders at the Annual Meeting. A quorum for the Annual Meeting requires the presence, in person or by proxy, of a majority of the Common Shares of the Company outstanding and entitled to vote at the Annual Meeting.

Shareholders holding Common Shares in "street name" with a broker, financial institution or other holder of record may be eligible to appoint their proxy electronically via the Internet or telephonically and may incur costs associated with electronic access. Such shareholders should review the information provided to them by their broker or other holder of record. This information will describe the procedures to be followed in instructing the holder of record how to vote the street name Common Shares and how to revoke previously given instructions.

Common Shares represented by properly executed proxy cards that are returned to the Company prior to the Annual Meeting will be counted toward the establishment of a quorum for the Annual Meeting even though they are marked "Abstain," "Against," "Withhold Authority" or "For All Except" or not marked at all. Brokers who hold their customers' Common Shares in street name may, under the applicable rules of the exchange or other self-regulatory organizations of which the brokers are members, sign and submit proxy cards for such Common Shares and may vote such Common Shares on routine matters, such as the uncontested election of directors. However, brokers who hold Common Shares in street name may not vote such Common Shares on non-routine matters, including Proposal No. 1 and Proposal No.

2, without specific instructions from the customer who owns the Common Shares. Proxy cards that are signed and submitted by brokers that have not been voted on certain matters as described in the previous sentence are referred to as “broker non-votes.” Broker non-votes count toward the establishment of a quorum at the Annual Meeting.

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The Company will bear the costs of preparing, printing and mailing this proxy statement, the accompanying proxy card and any other related materials, as well as all other costs incurred in connection with the solicitation of proxies on behalf of the Board (other than the Internet and telephone usage charges incurred if a shareholder appoints a proxy electronically through a holder of record). Proxies will be solicited by mail and may be further solicited, for no additional compensation, by officers, directors or employees of the Company and its subsidiaries by further mailing, by telephone or by personal contact. The Company will also pay the standard charges and expenses of brokers, voting trustees, financial institutions and other custodians, nominees and fiduciaries, who are record holders of Common Shares not beneficially owned by them, for forwarding materials to and obtaining proxies from the beneficial owners of Common Shares entitled to vote at the Annual Meeting.

If you are a participant in the Rurban Employee Stock Ownership Plan (the "Rurban ESOP") and Common Shares have been allocated to your account in the Rurban ESOP, you will be entitled to instruct the trustee of the Rurban ESOP how to vote those Common Shares and you may receive your voting instruction card separately. If you do not provide voting instructions, the Common Shares allocated to your account in the Rurban ESOP will not be voted.

The Annual Report to the Shareholders of the Company for the fiscal year ended December 31, 2007 (the "2007 fiscal year") is being delivered with this proxy statement.

Your Vote Is Important. Whether You Own One Share Or Many, Your Prompt Cooperation In Voting Your Proxy Is Greatly Appreciated.

PROPOSAL NO. 1

**ADOPTION OF AN AMENDMENT TO SECTION 2.01 OF THE
AMENDED AND RESTATED REGULATIONS OF THE COMPANY
TO REMOVE THE 70-YEAR AGE LIMIT FOR DIRECTORS**

Proposal

Section 2.01 of the Company's Amended and Restated Regulations (the "Regulations") currently provides that "[n]o person shall be eligible to be elected or reelected as a director of the corporation after such person has reached the age of 70 years; except that this qualification shall not apply to a person elected as an initial director of the corporation who shall have reached 70 years of age at the time of such initial election." The proposed amendment to Section 2.01 of the Regulations would remove the 70-year age limit with respect to a person's election or re-election as a director of the Corporation and thereby permit all persons, regardless of age, to be eligible for election or re-election as a director of the Company. The text of Section 2.01, as amended, would read as follows:

Section 2.01. Authority and Qualifications. Except where the law, the Articles or the Regulations otherwise provide, all authority of the corporation shall be vested in and exercised by its directors. Directors need not be shareholders of the corporation.

The Board believes that adoption of the proposed amendment to Section 2.01 of the Regulations is in the best interests of the Company and its shareholders. It is the Board's view that prohibiting an otherwise qualified person from serving as a director solely on the basis of the person's age is an arbitrary limitation that will unnecessarily deprive the Company from obtaining the services and expertise of qualified, able and dedicated directors.

The Board believes that a director's ability to serve the Company should be determined by his or her overall qualifications and experience, and should not be limited by the person's age. When considering potential candidates for the Board, the Company's Executive Governance and Nominating Committee evaluates the entirety of each candidate's credentials, including each candidate's judgment, skill, strength of character and experience. The Executive Governance and Nominating Committee strives to select candidates who have the highest personal and professional integrity; who have demonstrated exceptional ability and judgment; who will be most effective, in conjunction with the other members of the Board, in serving the long-term interests of the Company's shareholders; who can devote the necessary time to serve as a director; and who have a working knowledge of financial statements and a sense of proper corporate governance.

The Executive Governance and Nominating Committee and the Board are committed to selecting nominees whom they believe possess the best qualifications to oversee the management of the Company. It is the Board's view that a director selection process which allows all qualified candidates to be considered regardless of age best achieves this goal and allows the shareholders to elect members of the Board from among the widest and most qualified pool of candidates.

If Section 2.01 of the Regulations is not amended, three current directors of the Company, Thomas A. Buis, Richard L. Hardgrove and John Fahl, will not be eligible for re-election upon the expiration of their current terms in 2008, 2009 and 2010, respectively. Mr. Fahl, whose current term will expire at the Annual Meeting, has been nominated to stand for re-election at the Annual Meeting contingent upon the adoption of the proposed amendment to Section 2.01 of the Regulations. In nominating Mr. Fahl for re-election, the Executive Governance and Nominating Committee considered the factors described above and concluded that the re-election of Mr. Fahl would be in the best interests of the Company and its shareholders.

Recommendation and Vote

The affirmative vote of the holders of Common Shares entitling them to exercise not less than a majority of the voting power of the Company is required to adopt the proposed amendment to Section 2.01 of the Regulations. The effect of an abstention or a broker non-vote is the same as a vote **AGAINST** the proposal. If adopted by the shareholders, the proposed amendment to Section 2.01 of the Regulations will become effective immediately without any additional action.

Common Shares represented by properly executed and returned proxy cards will be voted as specified or, if no instructions are given (except in the case of broker non-votes), will be voted **FOR** the adoption of the proposed amendment to Section 2.01 of the Regulations.

**Your Board Recommends that Shareholders Vote FOR
the Adoption of the Proposed Amendment to Section 2.01 of the Regulations**

ELECTION OF DIRECTORS

There are currently eleven individuals serving as members of the Board, including four in the class whose terms expire at the Annual Meeting. If the proposed amendment to Section 2.01 of the Regulations (Proposal No. 1) is adopted by the shareholders at the Annual Meeting, four directors will be elected at the Annual Meeting. However, if the proposed amendment to Section 2.01 of the Regulations is not adopted by the shareholders at the Annual Meeting, the Board has approved a reduction in the number of directors of the Company from eleven to ten, and a reduction in the number of directors in the class whose terms expire at the 2008 Annual Meeting from four to three, in accordance with Section 2.03 of the Regulations. As a result, if the proposed amendment to Section 2.01 of the Regulations is not adopted by the shareholders at the Annual Meeting, only three directors will be elected at the Annual Meeting.

The Board proposes that each of the nominees identified below be elected for a new term of three years expiring in 2011. Each of these nominees was approved by the Board upon the recommendation of the Executive Governance and Nominating Committee, except that Mr. Fahl's nomination was made conditioned upon and subject to the prior approval of the proposed amendment to Section 2.01 of the Regulations by the shareholders at the Annual Meeting. If the proposed amendment to Section 2.01 of the Regulations is not adopted by the shareholders at the Annual Meeting, Mr. Fahl will not be eligible to stand for re-election.

Each individual elected as a director at the Annual Meeting will hold office for a term of three years and until his or her successor is elected and qualified, or until his or her earlier resignation, removal from office or death. Common Shares represented by properly executed and returned proxy cards will be voted **FOR** the election of the Board's nominees unless authority to vote for one or more nominees is withheld. If a nominee who would otherwise receive the required number of votes becomes unavailable or unable to serve as a director for any reason, the individuals designated as proxy holders reserve full discretion to vote the Common Shares represented by the proxies they hold for the election of the remaining nominees and for the election of any substitute nominee designated by the Board. The Board has no reason to believe that any of the nominees named below will not serve if elected.

The following table gives certain information, as of the Record Date, concerning each nominee for election as a director of the Company. Unless otherwise indicated, each person has held his principal occupation for more than five years.

| Nominee | Age | Position(s) Held with the Company and its Subsidiaries and Principal Occupation(s) | Director of the Company Continuously Since | Nominee for Term Expiring In |
|-------------------------------|-----|---|--|------------------------------|
| John R. Compo | 63 | Chairman of Board and President of Compo Corporation, Defiance, Ohio, an industrial property management and logistical warehousing company, since 1966; Director of The State Bank and Trust Company ("State Bank") since 1985. | 1987 | 2011 |
| John Fahl | 71 | President of Carlson Millstream Travel, Findlay, Ohio, a travel agency; (Retired) President from 1994 to 2001 of Tire Operations, and Director from 1992 to 2001, of Cooper Tire & Rubber Company, Findlay, Ohio, a tire and rubber manufacturer; Director of Lehigh Technologies, LLC, a manufacturer of rubber powders, since 2004; Director of State Bank since 2004; Chairman and Director of RFCBC, Inc. ("RFCBC") since 2004. | 1996 | 2011 |
| Robert A. Fawcett, Jr. | 66 | (Retired) Agent, Fawcett, Lammon, Recker and Associates Insurance Agency, Inc., Ottawa, Ohio, sales and service of property and casualty insurance since 1976; Director of State Bank since 2004; Director of RFCBC from 2001 to 2004. | 1992 | 2011 |
| Rita A. Kissner | 62 | (Retired) City of Defiance, Ohio, served as Mayor from 1992 to 1999, Finance Director from 1987 to 1991, and Auditor from 1980 to 1986; Downtown Development Director, Defiance Development and Visitors Bureau beginning Jan. 2007; Trustee, Secretary/Treasurer, Defiance College Board of Trustees; Director of State Bank since 2004. | 2004 | 2011 |

The following table gives certain information, as of the Record Date, concerning the current directors whose terms will continue after the Annual Meeting. Unless otherwise indicated, each person has held his or her principal occupation for more than five years.

| Name | Age | Position(s) Held with the Company and its Subsidiaries and Principal Occupation(s) | Director of the Company Continuously Since | Term Expires In |
|-------------------------|-----|---|--|-----------------|
| Thomas A. Buis | 70 | Insurance Analyst, Blanchard Valley Health System, Findlay, Ohio, a non-profit parent corporation of an integrated regional health system, since 2004; (Retired) President and Chairman of Spencer-Patterson Agency, Inc., Findlay, Ohio, an insurance agency, from 1975 to 2004; Director of Hancock County Board of Alcohol, Drug Addiction and Mental Health Services (non-profit); Director of State Bank since 2004. | 2001 | 2009 |
| Kenneth A. Joyce | 59 | President and Chief Executive Officer of the Company since 2002; Chairman, Chief Executive Officer and a Director of Rurbanc Data Services, Inc. ("RDSI") since 1997; Director of State Bank since 2002; Director of RFCBC since 2004; Chairman and Director of Reliance Financial Services (now a division of State Bank) ("RFS") since 2005; Director of The Exchange Bank ("Exchange Bank") from 2006 to March 2007; Chairman, CEO and Director of Rurban Operations Corp. ("ROC") from 2006 to March 2007; Member of RFS Investment Committee since March 2007; Chairman and Director of Diverse Computer Marketers, Inc. ("DCM") from 2006 to December 2007; Director of Promedica-Defiance Regional Medical Center and Promedica Physicians Group; Chairman of Promedica-Defiance Regional Medical Center Finance Committee; Chairman and Director of United Way (non-profit); Director of Kettenring Country Club. | 2002 | 2009 |
| Thomas L. Sauer | 60 | President and Owner of City Beverage, a beer distributor; President of Sheep, Inc., a real estate | 2005 | 2009 |

holding company; Membership
Director, Defiance Rotary Club;
Director of State Bank since 2004.

| Name | Age | Position(s) Held with the Company and its Subsidiaries and Principal Occupation(s) | Director of the Company Continuously Since | Term Expires In |
|-----------------------------|-----|---|--|-----------------|
| J. Michael Walz | 64 | General Dentist of Defiance Dental Group in Defiance, Ohio since 1968; Director of State Bank since 1989; Director of RFCBC since 2004; Member of RFS Investment Committee since March 2007; Chairman and Director of Exchange Bank from 2006 to March 2007. | 1992 | 2009 |
| Thomas M. Callan | 65 | (Retired) President and Owner of Defiance Stamping Company, Defiance Ohio, a metal stamping company, from 1980 to 2005; Partial Owner and Member of Executive Committee, New Era, Bryan, Ohio, a fluid pump manufacturing company; Trustee, Defiance College; Director of State Bank since 1996. | 2001 | 2010 |
| Richard L. Hardgrove | 69 | (Retired) President and Chief Executive Officer of the Eastern Region of Sky Bank, Salineville, Ohio from 1998 to 2001; Deputy Superintendent of Banks, State of Ohio, from 1996 to 1998; Director of State Bank since 2004. | 2004 | 2010 |
| Steven D. VanDemark | 55 | General Manager of Defiance Publishing Company, Defiance, Ohio, publisher of The Crescent-News, a daily newspaper, since 1985; Director of Defiance Development and Tourism Bureau; Trustee, Defiance College; Member of the Organization and Marketing Committee, Defiance College; Chairman of the Board of the Company since 1992; Director of State Bank since 1990; Chairman of the Board of State Bank since 1992; Director of RDSI since 1997; Director of RFCBC since 2004. | 1991 | 2010 |

There are no family relationships among any of the directors, nominees for election as directors and executive officers of the Company.

Recommendation and Vote

Under Ohio law and the Company's Regulations, the four nominees or three nominees, as applicable, who receive the greatest number of votes will be elected.

Common Shares represented by properly executed and returned proxy cards will be voted ***FOR*** the election of the Board's nominees named above unless authority to vote for one or more nominees is withheld. Shareholders may withhold authority to vote for the entire slate as nominated or may withhold the authority to vote for one or more nominees by writing the name of the nominee(s) on the line provided on the proxy card. Common Shares as to which the authority to vote is withheld and broker non-votes will be counted for quorum purposes, but will not be counted toward the election of directors or toward the election of the individual nominees specified on the proxy card.

**Your Board Recommends That Shareholders
Vote ***FOR*** the Election of All of the Board's Nominees**

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