FIRST FINANCIAL CORP /IN/
Form DEF 14A
March 20, 2012
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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 ¨

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 §240.14a-12

FIRST FINANCIAL CORPORATION

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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(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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¨ 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:

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FIRST FINANCIAL CORPORATION

One First Financial Plaza

P.O. Box 540

Terre Haute, Indiana 47808

March 14, 2012

Dear Shareholders:

Our 2012 Annual Meeting of Shareholders will be held on Wednesday, April 18, 2012 at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana. We have enclosed a copy of our 2011 Annual Report on Form10-K for your review.

We hope you can attend the meeting. If you are unable to attend, you are urged to sign, date, and return the enclosed proxy in the envelope provided so there may be proper representation at the meeting.

This Notice of Annual Meeting of Shareholders and the Proxy Statement are first being mailed to shareholders on or about March 14, 2012.

Sincerely,

Donald E. Smith

Chairman of the Board and President

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FIRST FINANCIAL CORPORATION

ONE FIRST FINANCIAL PLAZA

P.O. BOX 540

TERRE HAUTE, INDIANA 47808

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 18, 2012

To our Shareholders:

Notice is hereby given that, pursuant to the call of its Board of Directors, an Annual Meeting of Shareholders of First Financial Corporation (Corporation) will be held on Wednesday, April 18, 2012 at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana.

The purposes of the meeting are:

(1) To elect Thomas T. Dinkel, Norman L. Lowery and William J. Voges to the Board of Directors of the Corporation for a three (3) year term expiring at the 2015 annual meeting of shareholders and until their successors are duly elected and qualified;

(2) To ratify the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending December 31, 2012;

(3) To conduct a non-binding advisory vote to approve the compensation of our named executive officers as described in the Proxy Statement; and

(4) To transact such other business as may properly be presented at the meeting.

Only shareholders of record at the close of business on March 5, 2012 will be entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Donald E. Smith

Chairman of the Board and President

March 14, 2012

IMPORTANT PLEASE MAIL YOUR PROXY PROMPTLY

IN ORDER THAT THERE MAY BE PROPER REPRESENTATION AT

THE MEETING, YOU ARE URGED TO COMPLETE, SIGN, DATE AND

RETURN THE ENCLOSED PROXY IN THE ENVELOPE PROVIDED.

NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES.

Important Notice Regarding the Availability of Proxy Materials for the Annual Shareholders Meeting to be Held on April 18, 2012. This Proxy Statement and our 2011 Annual Report on Form 10-K are available at:

http://www.snl.com/IRWebLinkX/GenPage.aspx?IID=100502&GKP=203209

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PROXY STATEMENT OF

FIRST FINANCIAL CORPORATION

ONE FIRST FINANCIAL PLAZA

P.O. BOX 540

TERRE HAUTE, INDIANA 47808

(812) 238-6000

PROXY STATEMENT

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of First Financial Corporation (the Corporation, we, us or our) and contains information related to the Annual Meeting of Shareholders of the Corporation to be held on Wednesday, April 18, 2012, beginning at 11:00 a.m., local time, at One First Financial Plaza, Terre Haute, Indiana, and at any postponements or adjournments of the meeting. This Proxy Statement and accompanying form of proxy were first mailed to shareholders on or about March 14, 2012.

QUESTIONS AND ANSWERS ABOUT THE MEETING

Q: Why am I receiving this Proxy Statement?

You are receiving this Proxy Statement because you owned shares of First Financial Corporation common stock on the close of business on March 5, 2012, which is the date that the Board of Directors has fixed as the record date for determining shareholders entitled to notice of and to vote at the annual meeting and any adjournment or postponement of the meeting. Each shareholder is entitled to one vote for each share of common stock held on the record date. This Proxy Statement describes the matters on which we would like you to vote and provides information so that you can make an informed decision.

Q: What is the purpose of the annual meeting?

Shareholders will vote on the following three (3) proposals at the annual meeting:

1. The election of Thomas T. Dinkel, Norman L. Lowery and William J. Voges to the Board of Directors of the Corporation for a three (3) year term expiring at the 2015 annual meeting of shareholders and until their successors are duly elected and qualified. (See Proposal 1 beginning on page 4 for more information.)

2. The ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending December 31, 2012. (See Proposal 2 beginning on page 5 for more information.)

3. A non-binding advisory vote to approve the compensation of our named executive officers as described in this Proxy Statement. (See Proposal 3 beginning on page 5 for more information.)

In addition, the Corporation s management will report at the meeting on the performance of the Corporation during the fiscal year ended December 31, 2011, and respond to questions from shareholders.

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Q: What are the Board s recommendations?

The Board of Directors recommends that you vote your shares as follows:

1. **FOR** the election of Thomas T. Dinkel, Norman L. Lowery and William J. Voges to the Board of Directors of the Corporation for a three (3) year term expiring at the 2015 annual meeting of shareholders and until their successors are duly elected and qualified.

2. **FOR** the ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending December 31, 2012.

3. **FOR** the approval, on an advisory basis, of the compensation of our named executive officers.

The shares represented by a properly executed and returned proxy card will be voted according to the instructions that you provide. If no instructions are provided on a signed proxy card, the persons named as proxies on your proxy card will vote in accordance with the above recommendations of the Board of Directors.

Q: What if other matters come up during the meeting?

If any matters other than those referred to in the Notice of Annual Meeting of Shareholders properly come before the meeting, the individuals named in the accompanying proxy card will vote the proxies held by them as recommended by the Board of Directors or, if no recommendation is given, in accordance with their best judgment. The Corporation is not aware of any business other than the items referred to in the Notice of Annual Meeting of Shareholders that may be considered at the meeting.

If for any reason any of the director nominees becomes unable or is unwilling to serve at the time of the meeting (an event which the Board of Directors does not anticipate), the persons named as proxies in the accompanying proxy card will have discretionary authority to vote for a substitute nominee or nominees named by the Governance and Nominating Committee if the Board of Directors elects to fill such nominee s position.

Q: Who can attend the meeting?

All shareholders as of the record date, or their duly appointed proxies, may attend the meeting. Admission to the meeting will be on a first-come, first-admitted basis.

Q: What constitutes a quorum?

A majority of the outstanding shares of common stock, represented in person or by proxy, constitutes a quorum for the annual meeting. As of the record date, 13,237,523 shares of common stock of the Corporation were outstanding. Proxies received but marked as abstentions and broker non-votes (as described below) will be included in the calculation of the number of shares considered to be present at the meeting for purposes of establishing a quorum.

Q: How do I vote?

If you complete, date and properly sign the accompanying proxy card and return it to us, it will be voted as you direct. If you are a registered shareholder and attend the meeting, you may deliver your completed proxy card in person. Shareholders who hold their shares in street name and who wish to vote at the meeting will need to obtain a proxy form from the institution that holds their shares.

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If you are a participant in the First Financial Corporation Employee Stock Ownership Plan (the ESOP), you will receive a voting instruction card to use to provide voting instructions to First Financial Bank, N.A. (the trustee of the ESOP), for the shares allocated to your account under the ESOP. Your voting instruction to the trustee should be completed, dated, signed and returned in the envelope provided by **April 9th**. ***Please do not return your voting instructions to the Corporation. Your voting instructions will be kept confidential by the ESOP trustee and will not be disclosed to any of our directors, officers or employees.*** In order to maintain confidentiality, your voting instruction will be received by Broadridge Financial Solutions, Inc., who will tabulate the voting instruction results and provide them to the ESOP trustee on an aggregate basis. Unless the terms of the ESOP or the fiduciary duties of the ESOP trustee require otherwise, the ESOP trustee will vote your ESOP shares in accordance with your instructions. If you do not return your voting instruction card in a timely manner or if you return the voting instruction card unsigned or without indicating how you desire to vote the shares allocated to your ESOP account, the Compensation and Employee Benefits Committee will direct the ESOP trustee to vote the shares allocated to your account in the same proportion and in the same manner as the shares with respect to which timely and proper instructions by participants were received. The Compensation and Employee Benefits Committee consists of Anton H. George, Ronald K. Rich, and William J. Voges. The Compensation and Employee Benefits Committee is appointed by the Board of Directors and may be changed by the Board at any time.

Q: Can I vote by telephone or electronically?

If you are a registered shareholder (that is, your shares are registered with the Corporation directly in your name), you may only vote in person or by written proxy.

If your shares are held in street name through a broker or other nominee, please check your voting instruction form or contact your broker or nominee to determine whether you will be able to provide voting instructions by telephone or electronically through the Internet.

Q: Can I change my vote after I return my proxy card?

Yes. You may revoke your proxy or change your voting instructions at any time prior to the vote at the annual meeting by:

- providing written notice to the Secretary of the Corporation;
- delivering a valid, later-dated proxy; or
- attending the annual meeting and voting in person.

Please note that your attendance at the annual meeting in person will not cause your previously granted proxy to be revoked unless you specifically so request.

Q: What vote is required to approve each proposal?

Directors will be elected by a plurality of the votes cast at the meeting. A properly executed proxy marked WITHHOLD AUTHORITY with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether a quorum is present.

The following proposals will be approved if the votes cast for the proposal exceed those cast against the proposal: (i) the ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2012; and (ii) the non-binding advisory approval of our named executive officer s compensation. Abstentions will not be counted as votes cast either for or against these proposals.

If you own your shares through a broker and you do not provide your broker with specific voting instructions, your broker may vote your shares at its discretion on certain routine matters, but not on non-routine matters.

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The ratification of the appointment of Crowe Horwath LLP as the independent registered public accounting firm for the Corporation is considered a routine matter as to which your broker will be permitted to vote your shares. However, the other proposals are considered non-routine matters as to which your broker may not be able to vote your shares absent your instructions. We refer to this as a broker non-vote. Shares that are the subject of a broker non-vote will be counted as present for purposes of determining a quorum but are not counted as votes cast on any matter to which they relate. ***Please be sure to give specific voting instructions to your broker so that your vote can be counted.***

Q: Who pays to prepare, mail and solicit the proxies?

The Corporation pays all costs of preparing, mailing and soliciting proxies. The Corporation asks brokers, banks, voting trustees and other nominees and fiduciaries to forward proxy materials to the beneficial owners and to obtain authority to execute proxies. The Corporation will reimburse the brokers, banks, voting trustees and other nominees and fiduciaries upon request. In addition, proxies may be solicited by mail, in person or by telephone by certain of the Corporation s officers, directors and employees who will not be separately compensated for such activity.

Q: Whom should I call with other questions?

If you have additional questions about this Proxy Statement or the annual meeting or would like additional copies of this document or our 2011 Annual Report on Form 10-K, please contact: Rodger A. McHargue, Secretary, First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808, (812) 238-6000.

SUMMARY OF RECOMMENDATIONS

This summary highlights certain information with respect to matters to be acted upon at the 2012 Annual Meeting of Shareholders of First Financial Corporation and should be read in conjunction with the more detailed information concerning the respective proposals contained elsewhere in this Proxy Statement. We urge you to read this entire document carefully before casting your vote.

Matters To Be Voted Upon

Proposal 1: Election of Directors

The Board, acting through the Governance and Nominating Committee, seeks a Board that, as a whole, possesses the experience, skills, background and qualifications to effectively lead the Corporation. Each of the director nominees named in this Proxy Statement has an established record of significant accomplishments in business and areas relevant to our strategies.

Three directors will be elected at the annual meeting to serve a term that expires at the 2015 annual meeting of shareholders and until their successors are duly elected and qualified. The nominees for election in 2012 to serve a term which expires at the 2015 annual meeting are Thomas T. Dinkel, Norman L. Lowery and William J. Voges. Each of these directors currently serves on our Board of Directors. Election of directors is discussed in more detail beginning on page 6 of this Proxy Statement. Information related to the director nominees is discussed beginning on page 7, including the particular experience, qualifications and attributes that led the Governance and Nominating Committee and the Board to conclude that these persons should serve as directors.

The Board of Directors unanimously recommends a vote FOR the election of each of the above director nominees.

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Proposal 2: Ratification of Appointment of Crowe Horwath LLP as the Corporation s Independent Registered Public Accounting Firm

Crowe Horwath LLP has been appointed by the Audit Committee as our independent registered public accounting firm for fiscal year 2012. Crowe Horwath LLP has been our independent registered public accounting firm since fiscal year 1999.

We are asking our shareholders to ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm as a matter of good corporate governance even though ratification is not required by our by-laws, governing documents or otherwise.

The Board of Directors unanimously recommends a vote FOR the ratification of the appointment of Crowe Horwath LLP as the Corporation s independent registered public accounting firm for the fiscal year ending December 31, 2012.

Proposal 3: Non-binding Advisory Vote to Approve the Compensation Paid to Named Executive Officers

As described in the Compensation Discussion and Analysis section of this Proxy Statement which begins on page 18, we seek to closely align the interests of our named executive officers with the interests of our shareholders. Our executive compensation programs are designed to attract and retain talented executives who are critical to our success, to be competitive with the market, to reward for performance and to align the interests of shareholders and executives over both the short and long-term time horizons while at the same time avoiding the encouragement of unnecessary or excessive risk-taking.

In 2010, the Compensation and Employee Benefits Committee of the Board of Directors (the Committee) retained Grant Thornton LLP for assistance in developing the 2011 Short-Term Incentive Compensation Plan (the 2011 STIP) and the 2011 Omnibus Equity Incentive Plan (the 2011 EIP) which are each described in detail in the Compensation Discussion and Analysis section beginning on page 18 of this Proxy Statement. As described in the Compensation Discussion and Analysis section, the 2011 STIP and the 2011 EIP include cash and equity incentives provided various performance measures are met. In 2011, the Committee granted short-term cash incentive awards to our named executive officers under the 2011 STIP based on the achievement of certain corporate performance measures in 2011. In 2011, the Committee also established performance criteria for purposes of determining awards of restricted common stock to be granted to our named executive officers in 2012 based on the achievement of certain corporate performance measures in 2011. Awards of restricted stock provide for a three-year graded vesting schedule. Both the 2011 STIP and 2011 EIP include claw-back provisions in the event of a restatement of our financial statements.

As discussed in the Compensation Discussion and Analysis section beginning on page 18 of this proxy statement, the Committee utilizes various elements of compensation to align the compensation interests of named executive officers with those of our shareholders. Corporation Performance, Bank performance, individual performance and goal attainment are but a few of the measurements reviewed by the Committee.

We are asking our shareholders to vote on an advisory basis to approve the compensation of our named executive officers as described in this Proxy Statement. This proposal, commonly known as a Say-on-Pay proposal, gives our shareholders the opportunity to express their views on our named executive officers compensation. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers and the philosophy, policies and practices described in this Proxy Statement.

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Accordingly, we ask our shareholders to vote FOR the following resolution at the annual meeting:

RESOLVED, that the Corporation s shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Corporation s Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 Summary Compensation Table and the other related tables and disclosure.

The Say-on-Pay vote is advisory, and therefore not binding on the Corporation, the Committee or our Board of Directors. Our Board of Directors and our Committee value the opinions of our shareholders and to the extent there is any significant vote against the named executive officer compensation as disclosed in this Proxy Statement, we will consider our shareholders concerns and the Committee will evaluate whether any actions are necessary to address those concerns.

The Board of Directors unanimously recommends a vote FOR the approval of the resolution relating to the compensation of our named executive officers.

PROPOSAL 1: ELECTION OF DIRECTORS

Proposal

The Board of Directors is currently comprised of eleven (11) members. The Corporation s Articles of Incorporation divide the Board of Directors into three classes, as nearly equal in size as possible, with one class of directors elected each year for a term extending to the third succeeding annual meeting after such election. The Board believes that this Board structure provides important benefits to the Corporation and our shareholders. Primarily, this structure is designed to maintain continuity and stability and to prevent sudden disruptive changes to the Board s composition. This ensures we have directors serving on the Board who have substantial knowledge of the Corporation which the Board believes facilitates long-term value for our shareholders.

The nominees for election as director are nominated to serve for terms expiring at the 2015 annual meeting of shareholders and until their successors are duly elected and qualified. Each nominee is a current director of the Corporation. The following information is provided concerning each nominee and each incumbent director continuing in office.

Names and Ages of Nominees for terms to expire in 2015:

Thomas T. Dinkel, Age 61 President of Sycamore Engineering, Inc.	Director since 1989
Norman L. Lowery, Age 65 Vice Chairman of the Board, Chief Executive Officer of the Corporation, and President and Chief Executive Officer of First Financial Bank, N.A.	Director since 1989
William J. Voges, Age 57 President of The Root Co.	Director since 2008

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The Board of Directors unanimously recommends a vote FOR the election of each of the above director nominees.

Names and Ages of Incumbent Members of the Board of Directors whose terms expire in 2013:

W. Curtis Brighton, Age 58 President of Templeton Coal Company, Inc.	Director since 2004
William R. Krieble, Age 64 Retired Program Director of the Division of Disability and Rehabilitative Services of the State of Indiana	Director since 2009
Ronald K. Rich, Age 73 Northwestern Mutual Financial Network	Director since 2005
Donald E. Smith Age 85 Chairman of the Board and President of the Corporation	Director since 1983*

Names and Ages of Incumbent Members of the Board of Directors whose terms expire in 2014:

B. Guille Cox, Jr., Age 66 Attorney with Cox Zwerner Gambill & Sullivan	Director since 1983*
Anton H. George, Age 52 President of Vision Investments, LLC and Vision Enterprises Global, LLC	Director since 1989
Gregory L. Gibson, Age 49 President of ReTec, Inc.	Director since 1994
Virginia L. Smith, Age 63 President of Princeton Mining Company, Inc.	Director since 1987

* *First Financial Corporation was formed in 1983.*

Directors Biographies and Qualifications

Together the members of the Board of Directors provide the Corporation with demonstrated senior leadership and management experience. The directors bring broad and varied skills and knowledge from retail and wholesale businesses, legal, financial and government. The following provides biographical information for the nominees and directors.

Donald E. Smith has served on the Board of First Financial Corporation since 1983 and currently serves as Chairman of the Board and President of the Corporation. He also served as the President and Chief Executive Officer of First Financial Bank for 23 years. Mr. Smith is a member of the Corporation s Acquisition and Executive Committees. He also is the chairman of the board of Princeton Mining Company, Inc., Deep Vein Coal Company Inc., R.J. Oil Company Inc., and Lynch Coal Operators Reciprocal Association. Mr. Smith is a past member of the boards of trustees of Indiana State University and Rose Hulman Institute of Technology.

Mr. Smith s long career with the Bank and the Corporation provide the Board and management an unparalleled history of the Corporation. As a lifelong resident of the Wabash Valley, he has extensive knowledge of the markets in which we operate as well as the surrounding area. Additionally, his service on other boards of directors over the years provides an important perspective on corporate governance.

W. Curtis Brighton joined the Board in 2004 and is a current member of the Corporation s Enterprise Risk Management, Loan Review, and Loan Policy and Procedures Committees as well as the Bank s Loan Committee. Mr. Brighton is the president of Templeton Coal Company, Inc. Prior to this, Mr. Brighton held the positions of president and general counsel for Hulman and Company. Mr. Brighton has been the general manager of Lynch Coal Operators Reciprocal Association since 1985 and was a private practice attorney for 12 years. He serves on the boards of Templeton Coal Company, Inc., Deep Vein Coal Company, Inc., Princeton Mining Company, Inc., R.J. Oil Company, Inc., Union Hospital, Inc.

and Lynch Coal Operators Reciprocal Association. Mr. Brighton earned a B.S. degree in Business Administration from Indiana State University and a Doctor of Jurisprudence degree from Drake University.

Mr. Brighton s history as a private practice attorney provides the Board with an enhanced legal and regulatory perspective.

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B. Guille Cox, Jr. has served on the Board of First Financial Corporation since 1983 and is the Chairman of the Bank s Trust Committee. He also serves on the Bank s Investment and Loan Committees as well as the Corporation s Governance and Nominating Committees. Mr. Cox has been a Senior Partner in the Law Firm Cox, Zwerner, Gambill & Sullivan since 1980. He also serves on the boards of Hendrich Title Company and Katzenbach Inc. As a Rose Hulman Institute of Technology board member, Mr. Cox serves on the executive and investment committees. Mr. Cox received a B.S. degree in Physics from MIT and a Doctor of Jurisprudence degree from Harvard Law School.

Having served on the Board of the Corporation since inception, Mr. Cox also provides a historical perspective of both the Corporation and the industry for our Board. His legal practice provides the Board with counsel on legal issues as well as issues in our markets.

Thomas Dinkel joined the Board in 1989 and serves on the Corporation s Audit and Loan Review Committees. He also serves on the Bank s Community Reinvestment Act, Investment Services and Loan Committees. Mr. Dinkel has been the president and chief executive officer of Sycamore Engineering, Inc, Dinkel Associates, Sycamore Building Corporation and Dinkel Telekom since 1986 and has held various positions at Sycamore Engineering since 1966. Mr. Dinkel serves on the board of Rose Hulman Institute of Technology and is chairman of the business administration and compensation committees. Additionally, he serves on the facilities, investment management, president evaluation, executive and student affairs committees of the board of Rose Hulman. He earned his B.S. degree from Rose Hulman Institute of Technology.

As a business owner and an entrepreneur, Mr. Dinkel provides an understanding of small business which makes up much of our lending base. His vast experience as a contractor also provides us with key insight in our expansion efforts.

Anton H. George joined the Board in 1989 and is Chairman of the Corporation s Audit and Compensation and Employee Benefits Committees. He also serves on the Bank s Loan Committee. Mr. George is the president of Vision Investments, LLC and Vision Enterprises Global, LLC. Mr. George is the past president and chief executive officer of the Indianapolis Motor Speedway and Hulman and Company. He also is a current director of Vectren Corporation. Mr. George earned a B.S. degree in Business Administration from Indiana State University.

Mr. George s experience on various boards of directors provides valuable advice on governance issues. As an established Midwest entrepreneur, Mr. George has significant knowledge of the markets in which we operate.

Gregory L. Gibson joined the Board in 1994 and serves on the Corporation s Loan Review Committee as well as the Bank s Loan Committee. Mr. Gibson is the president of ReTec, Inc. and serves on the boards of Rose Hulman Institute of Technology and Saint Mary-of-the-Woods College. Mr. Gibson has also served on the Indiana Judicial Commission and is currently serving on the Indiana Port Commission as well as the board of directors for the Methodist Health Foundation in Indianapolis. He holds a B.S. degree from Rose Hulman Institute of Technology.

As a businessman and entrepreneur, Mr. Gibson has a variety of business interests. This provides the Board with invaluable knowledge into these segments of our clients and the markets. As a developer, Mr. Gibson provides counsel for market expansion. His service on our Boards also provides valuable political and governance perspectives.

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William R. Krieble joined the Board in 2009 and serves on the Bank s Loan and Community Reinvestment Act Committees. Mr. Krieble also serves on the Corporation s Enterprise Risk Management and Affirmative Action Committees. Mr. Krieble retired after 41 years of service to the State of Indiana where he most recently served as the program director for the Division of Disability and Rehabilitative Services of the State of Indiana. He received his B.S. and M.S. degrees from Indiana State University.

Mr. Krieble s long service to the State of Indiana provides the Board with valuable political and governmental perspectives.

Norman L. Lowery joined the Board in 1989. He serves on the Corporation s Acquisition, Affirmative Action, Disaster Recovery, Disclosure, Executive, Enterprise Risk Management, Loan Policy and Procedures, Loan Review and Strategic Planning Committees. Mr. Lowery also serves on the Bank s Asset Liability and Community Reinvestment Act Committees. Mr. Lowery is the Vice Chairman and Chief Executive Officer of First Financial Corporation, serving since 1996 and 2004 respectively. He is also the President and Chief Executive Officer of First Financial Bank, serving since 1996. Prior to joining First Financial Corporation, Mr. Lowery was a partner in the law firm of Wright, Shagley and Lowery where he practiced for 19 years. Mr. Lowery is a member of the boards of Lynch Coal Operators Reciprocal Association, Indiana State University, the Regional Board of Ivy Tech Community College, the Terre Haute Economic Development Corp. and the Terre Haute Chamber of Commerce. He received a B.S. degree in Political Science from Indiana State University and a Doctor of Jurisprudence degree from Indiana University.

As Chief Executive Officer, Mr. Lowery is intimately familiar with First Financial Corporation, its customers and its employees and provides the Board with valuable leadership, particularly through his keen insight into the industry and the markets we serve. His legal background also provides a critical element with respect to governance and regulatory issues affecting the Corporation and the Bank. Mr. Lowery also provides valuable counsel to the Board with respect to our strategic initiatives.

Ronald K. Rich joined the Board in 2005 and serves as the Chairman of the Governance and Nominating Committee. He is a member of the Corporation s Compensation and Employee Benefits, Enterprise Risk Management and Audit Committees. Mr. Rich also is a member of the Bank s Loan Committee. Mr. Rich has been a financial representative for Northwestern Mutual Financial Network since 1963. He holds CLU and CHFC designations from American College.

Mr. Rich s long service in the financial and insurance industries brings specific knowledge into matters affecting the Corporation s insurance subsidiary and its insurance matters. Mr. Rich also possesses valuable insight regarding our markets and our various client bases.

Virginia L. Smith joined the Board in 1987 and serves on the Corporation s Loan Review, Loan Policy and Procedures, Affirmative Action, and Executive Committees as well as the Bank s Loan Committee. Ms. Smith has been the president of Princeton Mining Company, Inc. since 1990. She also serves on the boards of Deep Vein Coal Company Inc., Princeton Mining Company Inc., R.J. Oil Company Inc. and Saint Mary-of-the-Woods College. Ms. Smith received a B.S. degree in Education from Indiana State University and a B.S. in Business Administration from Saint Mary-of-the-Woods College.

Ms. Smith s service as president of a local retail company provides the Board with valuable insight regarding our market area. Also, as a female business leader, she provides important perspectives on women-owned businesses.

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William J. Voges joined the Board in 2008 and serves on the Corporation s Compensation and Employee Benefits, Governance and Nominating Committees as well as the Bank s Loan Committee. Mr. Voges has served as chief executive officer and chairman of the Root Company since 1996 and as general counsel since 1990. Prior to joining the Root Company, he was a partner in the Fink, Loucks, Sweet, and Voges law firm for 9 years. Mr. Voges also serves as chairman of the board for Consolidated-Tomoka Land Company (a public company listed on the NYSE-AMEX under the symbol CTO), where he has prior service on the audit, executive and corporate governance committees. He also has prior experience on the boards of several financial institutions. Mr. Voges received his B.S. in Business Administration from Stetson University and his Doctor of Jurisprudence degree from Stetson College of Law.

Mr. Voges past service on the boards of financial institutions provides additional perspectives of the issues facing our Board. His legal background, coupled with his past experience, provides tremendous value on legal, governance and regulatory matters. Mr. Voges also complements the Board with his keen strategic insight.

BOARD COMMITTEES AND MEETINGS

During the year ended December 31, 2011, the Board of Directors of the Corporation met 19 times. Each director attended more than 75% of the aggregate of (i) all meetings of the Board held while he or she was a director and (ii) all meetings of committees on which he or she served during the period that he or she served on the committee. Although the Corporation has no formal policy on director attendance at annual meetings of shareholders, they are encouraged to attend such meetings. Ten directors attended the 2011 Annual Meeting of Shareholders.

Committees

The Board of Directors has established a number of committees which facilitate the administration and oversight of the Corporation. Among these committees are the Governance and Nominating, Audit and Compensation and Employee Benefits Committees.

Governance and Nominating Committee. Members consist of B. Guille Cox, Jr., Ronald K. Rich (Chairman) and William J. Voges. The Board of Directors has determined that Messrs. Cox, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Governance and Nominating Committee met two times during 2011. As specified in its charter, the primary objectives of the Governance and Nominating Committee are to assist the Board of Directors by (i) developing and recommending corporate governance policies and guidelines for the Corporation and (ii) identifying and nominating persons for election to the Board of Directors and appointment to the committees of the Board. A copy of the Governance and Nominating Committee Charter is available on the Corporation s web site at www.first-online.com on the Investor Relations page under the link Governance Documents.

The Governance and Nominating Committee identifies director nominees through a combination of referrals, including referrals from management, existing Board members and shareholders. Other than the director qualifications and independence standards established in our Corporate Governance Guidelines, the Governance and Nominating Committee currently does not maintain any formal criteria for selecting directors and may take into consideration such factors and criteria as it deems appropriate. However, in reviewing qualifications for prospective nominees to the Board, the Governance and Nominating Committee generally will take into consideration, among other matters, a candidate s experiences, skills, expertise, diversity, personal and professional integrity, character, business judgment, time available to serve, dedication, conflicts of interest and ability to oversee the Corporation s business and affairs. The Governance and Nominating Committee does not evaluate nominees proposed by shareholders any differently than other nominees to the Board.

Audit Committee. Members consist of Anton H. George (Chairman), Thomas T. Dinkel and Ronald K. Rich. The Board of Directors has determined that Messrs. George, Dinkel and Rich are independent under Securities and Exchange Commission (SEC) Rule 10A-3 and the rules of the NASDAQ Global Select Market. The Audit Committee met four times during 2011. As specified in its charter, the Audit Committee s primary objectives are to assist the Board of Directors in its oversight of (i) the integrity of our financial statements, (ii) the qualifications and independence of our independent registered public accounting firm, (iii) the performance of our internal audit function and independent registered public accountants, (iv) our compliance with certain applicable legal and regulatory requirements, and (v) our system of disclosure controls and system of internal controls regarding finance, accounting and legal compliance. In addition, among other responsibilities, the Audit Committee reviews the Corporation s accounting functions, the adequacy and effectiveness of the internal controls and internal auditing methods and procedures. A copy of the Audit Committee charter is available on the Corporation s website at www.first-online.com on the Investor Relations page under the link Governance Documents.

The Board of Directors has determined that each member of the Audit Committee is financially sophisticated under the applicable NASDAQ rules. The Board of Directors selected the members of the Audit Committee based on the Board s determination that they are fully qualified to monitor the performance of management, the public disclosures by the Corporation of its financial condition and performance, our internal accounting operations and our independent registered public accountants. In addition, the Audit Committee has the ability on its own to retain independent accountants or other advisors whenever it deems appropriate.

The Board of Directors has determined that the Corporation currently does not have a director who qualifies as a financial expert under federal securities laws. To be considered a financial expert, an individual s past experience generally must include experience in the preparation or audit of comparable public company financial statements, or the supervision of someone in the preparation or audit of comparable public company financial statements. While it might be possible to recruit a person who meets these qualifications of a financial expert, the Board has determined that in order to fulfill all the functions of our Board and our Audit Committee, each member of our Board and our Audit Committee, including any financial expert, should ideally understand community banking and understand the markets in which the Corporation operates, and that it is not in the best interests of our Corporation to nominate as a director someone who does not have all the experience, attributes and qualifications we seek.

Compensation and Employee Benefits Committee. Members consist of Anton H. George (Chairman), Ronald K. Rich and William J. Voges. The Board of Directors has determined that Messrs. George, Rich and Voges are independent under the rules of the NASDAQ Global Select Market. The Compensation and Employee Benefits Committee met three times in 2011. As specified in its charter, the primary objective of the Compensation and Employee Benefits Committee is to approve the compensation of our named executive officers and senior management. In addition, among other responsibilities, the Compensation and Employee Benefits Committee administers the compensation plans of the Corporation. A copy of the charter of the Compensation and Employee Benefits Committee is available on the Corporation s website at www.first-online.com on the Investor Relations page under the link Governance Documents.

Compensation of Directors

The goal of our director compensation package is to attract and retain qualified candidates to serve on the Board of Directors. In setting compensation, the Board considers compensation levels of directors of other financial institutions of similar size. Each director of the Corporation is also a director of First Financial Bank, N.A. (the Bank), the lead subsidiary bank of the Corporation. The non-employee directors receive director fees from both the Corporation and the Bank. During 2011, nonemployee directors received a $40,000.00 retainer from the Corporation and a $5,000.00 retainer from the Bank. During 2011, each non-employee director of the Corporation and the Bank received a fee of $750 for each board meeting attended for the Corporation and the Bank, respectively.

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Non-employee directors also receive a fee for each meeting attended of the Audit Committee of $1,000, the Compensation and Employee Benefits Committee of $1,000, the Governance and Nominating Committee of $500 and the Loan Committee of the Bank of $300. No non-employee director served as a director of any other subsidiary of the Corporation.

2011 Director Compensation Table

The table below summarizes the compensation paid by the Corporation to each non-employee director for the fiscal year ended December 31, 2011.

Name (a) (1)	September 30, Fees Earned or Paid in Cash ($) (b) (2)	September 30, All Other Compensation (c)	September 30, Total ($) (d)
W. Curtis Brighton	75,300(3)		75,300
B. Guille Cox	76,300		76,300
Thomas T. Dinkel	80,800		80,800
Anton H. George	81,400		81,400
Gregory L. Gibson	76,800		76,800
William R. Krieble	76,350(3)		76,350
Ronald K. Rich	82,700		82,700
Virginia L. Smith	76,800		76,800
William J. Voges	81,800(3)		81,800

(1) Donald E. Smith, the Chairman of the Board and President of the Corporation, is not included in this table because he is an employee of the Corporation. Norman L. Lowery, the Vice Chairman of the Board and Chief Executive Officer of the Corporation, is also not included in this table because he is an employee of the Corporation. Neither Donald E. Smith nor Norman L. Lowery receives compensation for services on the Board of Directors of the Corporation or First Financial Bank. The compensation received by Mr. Smith and Mr. Lowery as employees of the Corporation is shown in the Summary Compensation Table on page 30.

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(2) Amounts reported represent fees earned for serving on the Board of Directors of the Corporation, the Board of Directors of the Bank, committees of the Board of Directors of the Corporation and committees of the Board of Directors of the Bank during 2011.

(3) Members of the Board of Directors have the ability to defer a portion of their director fees under the First Financial Corporation 2005 Directors Deferred Compensation Plan. For a more detailed discussion of this plan, see the narrative immediately following these footnotes.

First Financial Corporation Directors Deferred Compensation Plan. Directors of the Corporation and the Bank may participate in the First Financial Corporation 2005 Directors Deferred Compensation Plan. Under this plan, a director may defer up to $6,000 of his or her director s fees each year over a five-year period provided that the director timely submits a deferral election to the Corporation. The amount of deferred fees is used to purchase an insurance product, of which the Corporation is the beneficiary, that funds benefit payments. An amount equal to the face amount of the policy will be paid to the director in addition to an amount equal to the tax savings the Corporation will receive by obtaining the proceeds from the policy on a tax-free basis. Payment will be made to the director in 120 monthly installments beginning on the first day of the month after the earlier of the director s 65th birthday or death. Each year from the initial date of deferral until payments begin, the Corporation accrues a non-cash expense which will equal, in the aggregate, the amount of the payments to be made to the director over the ten-year period. If a director fails for any reason, other than death, to serve as a director during the entire five-year period, or the director fails to attend at least 12 regular or special meetings of the Board each year, the amount of benefits paid will be prorated appropriately. For 2011, the allocated cost of the deferred directors fees was $144,115.

Director Stock Ownership Guidelines

The Board of Directors believes that directors more effectively represent the Corporation s shareholders, whose interests they are charged with protecting, if they are shareholders themselves. Therefore, the Board has adopted director stock ownership guidelines applicable to all directors. All directors are required to own a number of shares of the Corporation s common stock equal in value to three times their annual Corporation retainer for services as a director. Directors are expected to comply with the guidelines as soon as practicable and in no event later than five years after the date of their initial election or appointment as a director of the Corporation. In the case of individuals who were directors when the guidelines became effective, compliance is required within five years of the effective date. Additionally, directors may not dispose of shares of Corporation stock until they have satisfied the guidelines.

Compensation Committee Interlocks and Insider Participation

During 2011 and as of the date of this Proxy Statement, none of the members of the Compensation and Employee Benefits Committee was or is an officer or employee of the Corporation, and no executive officer of the Corporation served or serves on the compensation committee (or any other committee or board of directors performing a similar function) of any company that employed or employs any member of the Corporation s Compensation and Employee Benefits Committee or Board of Directors.

Certain Relationships and Related Transactions

Certain family relationships exist among the directors and executive officers of the Corporation. Donald E. Smith (the Chairman of the Board and President of the Corporation) is the father of Virginia L. Smith (a director of the Corporation), and is the father-in-law of Norman L. Lowery (the Vice Chairman and Chief Executive Officer of the Corporation and the President and Chief Executive Officer of First Financial Bank) and the grandfather of Norman D. Lowery (the Chief Operating Officer of First Financial Bank N.A.). Norman D. Lowery is also the son of Norman L. Lowery. There are no arrangements or understandings between any of the directors and executive officers pursuant to which any of them have been selected for their respective positions.

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The Audit Committee is responsible for approving any transactions between the Corporation or its subsidiaries and any related party, including loans or extensions of credit and any sale of assets or other financial transactions. Directors and executive officers of the Corporation and their associates were customers of, and have had transactions with, the Corporation and its subsidiary banks in the ordinary course of business during 2011. Comparable transactions may be expected to take place in the future. During 2011, various directors and executive officers of the Corporation and their respective associates were indebted to the subsidiary banks from time to time. These loans were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the time for similar transactions with other persons and did not involve more than the normal risk of collectability or present other unfavorable features. Loans made to directors and executive officers are in compliance with federal banking regulations and thereby are exempt from the insider loan prohibitions included in the Sarbanes-Oxley Act of 2002.

Related party transactions are evaluated on a case-by-case basis in accordance with the applicable provisions of the Articles of Incorporation and the Code of Business Conduct and Ethics of the Corporation.

The provisions of the Articles of Incorporation apply to contracts or transactions between the Corporation and (i) any director; or (ii) any corporation, unincorporated association, business trust, estate, partnership, trust, joint venture, individual or other legal entity in which any director has a material financial interest. The provisions of the Code of Business Conduct and Ethics apply to the directors, officers and employees of the Corporation.

The Articles of Incorporation provide that contracts or transactions between the Corporation and any of the persons described above are valid for all purposes, if the material facts of the contract or transactions and the director s interest were disclosed or known to the Board of Directors, a committee of the Board of Directors with authority to act thereon, or the shareholders entitled to vote thereon, and the Board of Directors, such committee or such shareholders authorized, approved or ratified the contract or transaction.

The Code of Business Conduct and Ethics provides that directors, officers and employees of the Corporation must make business decisions for the Corporation free of conflicting influences. Such persons are expected to avoid situations that may lead to real or apparent material conflicts between such person s self interest and their duties or responsibilities as a director, officer or employee of the Corporation.

The Senior Compliance Officer is responsible for annually reaffirming compliance with this Code of Business Conduct and Ethics by the directors, officers and employees of the Corporation.

During 2011, Platolene 500, Inc., an indirect subsidiary of Deep Vein Coal Company, Inc., received payments for providing fuel and services to First Financial Bank N.A. in the amount of approximately $185,826. Donald E. Smith (the Chairman of the Board and President of the Corporation), Virginia L. Smith (the daughter of Mr. Smith and a director of the Corporation), and Sarah J. Lowery, the daughter of Mr. Smith and wife of Norman L. Lowery (the Vice Chairman and Chief Executive Officer of the Corporation), own 35%, 10%, and 10% respectively in equity interest in Deep Vein Coal Company, Inc. and serve as the Chairman, Vice President and Chief Operating Officer and Vice President, respectively, of Platolene 500, Inc.

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CORPORATE GOVERNANCE

General

The Corporation aspires to the highest ethical standards for its employees, officers and directors and remains committed to the interests of its shareholders. The Corporation believes it can achieve these objectives with a plan for corporate governance that clearly defines responsibilities, sets high standards of conduct and promotes compliance with the law. The Board of Directors has adopted policies and procedures designed to foster the appropriate level of corporate governance. Certain of these procedures are discussed below.

Consideration of Director Candidates

The Board of Directors seeks directors who represent a variety of backgrounds and experiences which will enhance the quality of the Board s deliberations and decisions. When searching for new candidates, the Governance and Nominating Committee considers the evolving needs of the Board and searches for candidates who will fill any current or anticipated gaps. The Governance and Nominating Committee generally considers, among other matters, a candidate s experiences, skills, expertise, diversity, personal and professional integrity, character, business judgment, time available to serve, dedication, conflicts of interest and ability to oversee the Corporation s business and affairs. The Governance and Nominating Committee does not have a formal diversity policy; however, both the Board and the Governance and Nominating Committee believe it essential that Board members represent diverse experiences and viewpoints. The Governance and Nominating Committee considers the entirety of each candidate s credentials. With respect to directors who are nominated for re-election, the Governance and Nominating Committee also considers such director s previous contributions to the Board.

Board Leadership Structure and Lead Independent Director

Our Board of Directors regularly reviews and assesses the effectiveness of our leadership structure and will implement any changes as it deems appropriate. Our current leadership structure is comprised of an eleven-member Board of Directors, eight of which are independent under the requirements of the NASDAQ Global Select Market. Our Chairman of the Board also serves as our President, and our Chief Executive Officer is also a director. The Board has separated the roles of Chief Executive Officer and Chairman of the Board in recognition of the differences between the two roles. The Chief Executive Officer is responsible for setting the strategic direction for the Corporation and the day-to-day leadership and performance of the Corporation, while the Chairman provides guidance to the Chief Executive Officer and sets the agenda for Board meetings and presides over meetings of the full Board. Because Mr. Smith, our Chairman, is also an employee of the Corporation and is therefore not considered independent under the NASDAQ Global Market Select rules, our Board of Directors has appointed the Chairman of our Governance and Nominating Committee, Ronald K. Rich, to serve as our lead independent director to preside at all meetings of the independent directors. As lead independent director, Mr. Rich acts as a liaison between the Board and the Chief Executive Officer. He also develops the agendas for the executive sessions. The independent directors met four times during 2011.

We believe that the separate responsibilities of, and coordination between, our Chairman, Chief Executive Officer and our lead independent director enhances our Board of Directors oversight of communications with our shareholders and is an effective leadership structure for our circumstances. Our Board of Directors also believes that the separately defined roles of the Chairman, Chief Executive Officer and lead independent director provide for effective corporate governance and enable the Chief Executive Officer to focus his time and energy on operating and managing the Corporation while leveraging the experiences and perspectives of the Chairman and Lead Independent Director.

We recognize that no single leadership model is right for all companies and at all times. Our Board recognizes that, depending on the circumstances, other leadership models might be appropriate at some point and our Board of Directors periodically reviews its leadership structure in this regard.

Risk Oversight

Our Board of Directors has an active role, as a whole and also at the committee level, in overseeing management of the Corporation s risks. The Board regularly reviews information regarding the Corporation s financial results, operations and liquidity, as well as the risks associated with each. The Audit Committee oversees management of the Corporation s financial risks, including the oversight of our internal audit function and potential conflicts of interest. The Compensation and Employee Benefits Committee is responsible for overseeing the management of risks relating to the Corporation s executive compensation plans and arrangements. The Governance and Nominating Committee manages risks associated with the independence of the Board of Directors. The Enterprise Risk Management Committee advises and assists the Board in its oversight and management of enterprise risk. The Enterprise Risk Management Committee is comprised of Board members W. Curtis Brighton, William R. Krieble and Ronald K. Rich, the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Chief Credit Officer, the heads of Compliance, Legal, Operations, Human Resources, Loan Review, Auditing, Information Technology and representatives from The Morris Plan Company of Terre Haute and Forrest Sherer Insurance. The Enterprise Risk Management Committee is responsible for, among other matters, coordinating risk management issues with other Board and management level committees as well as establishing and maintaining effective policies, procedures and practices for identifying, measuring and mitigating enterprise risk. The Enterprise Risk Management Committee receives regular reports from management and meets no less than quarterly to discuss matters relating to the management of the various components of enterprise risk, including credit, interest rate, liquidity, compliance, technology, transaction, reputation and strategic risks. While each committee is responsible for evaluating certain risks and overseeing the management of these risks, the entire Board of Directors is regularly informed about such risks through committee reports.

Director Independence

The Board of Directors has determined that a majority of the members of the Board, including Messrs. Cox, Krieble, Rich, George, Dinkel, Voges, Brighton and Gibson, are independent, as independence is defined under revised listing standards of the NASDAQ Global Select Market applicable to the Corporation.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines containing general principles regarding the functions of the Board of Directors and its committees. The Governance and Nominating Committee periodically reviews the Corporate Governance Guidelines and will recommend changes to the Board as it deems appropriate. A copy of the Corporate Governance Guidelines is available on the Corporation s web site at www.first-online.com on the investor Relations page under the link Governance Documents .

Code of Ethics

The Board of Directors has adopted a Code of Business Conduct and Ethics (the Code of Ethics) that applies to all of the Corporation s directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer and controller. The Corporation intends to disclose any amendments to the Code of Ethics by posting such amendments on its website. In addition, any waivers of the Code of Ethics for directors or executive officers of the Corporation will be disclosed in a report on Form 8-K filed with the Securities and Exchange Commission. A copy of the Code of Ethics is available on the Corporation s web site at www.first-online.com on the investor Relations page under the link Governance Documents .

Communications with Independent Directors

Any shareholder who desires to contact the Chairman of the Board of Directors, the Lead Independent Director or the other members of the Board of Directors, or who desires to make a recommendation of a director candidate for consideration by the Governance and Nominating Committee, may do so electronically by sending an email to the following address: directors@ffc-in.com. Alternatively, a shareholder can contact the Chairman of the Board, Lead Independent Director, Chairman of the Governance and Nominating Committee or the other members of the Board by writing to: First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808. The Governance and Nominating Committee will consider any candidate submitted by a shareholder in the manner described above. Communications received electronically or in writing are distributed to the Chairman of the Board, Lead Independent Director, Chairman of the Governance and Nominating Committee or the other members of the Board as appropriate depending on the facts and circumstances outlined in the communication received. For example, if any complaints regarding accounting, internal accounting controls and auditing matters are received, then they will be forwarded by the Secretary to the Chairman of the Audit Committee for review.

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Governance Documents

For further information, including electronic versions of our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Audit Committee Charter, Compensation and Employee Benefits Committee Charter, and Governance and Nominating Committee Charter please contact the Secretary of the Corporation, Rodger A. McHargue, First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808, (812) 238-6000, or visit our website at *www.first-online.com* on the Investor Relations page under the link Governance Documents.

EXECUTIVE COMPENSATION

Each of our executive officers serves a term of office of one year and until his successor is duly elected and qualified, except for Norman L. Lowery whose term of office will expire on December 1, 2014, unless his term is extended for an additional one-year period by the Compensation and Employee Benefits Committee or ends earlier as provided in his employment agreement with the Corporation and the Bank. Set forth below is certain information about the individuals who are serving as our executive officers as of the date of this Proxy Statement. In our discussion of Executive Compensation, the officers named in the Summary Compensation Table below are referred to as named executive officers.

Executive Officers

Donald E. Smith, age 85 is the Chairman of the Board and President of the Corporation. He also served as the President and Chief Executive Officer of First Financial Bank for 23 years. He also is the chairman of the board of Princeton Mining Company, Inc., Deep Vein Coal Company Inc. , R.J. Oil Company Inc. and Lynch Coal Operators Reciprocal Association. Mr. Smith is a past member of the boards of trustees of Indiana State University and Rose Hulman Institute of Technology.

Norman L. Lowery, age 65 is the Vice Chairman and Chief Executive Officer of First Financial Corporation, serving since 1996 and 2004 respectively. He is also the President and Chief Executive Officer of First Financial Bank, serving since 1996. Prior to joining First Financial Corporation, Mr. Lowery was a partner in the law firm of Wright, Shagley and Lowery where he practiced for 19 years. Mr. Lowery is a member of the boards of Lynch Coal Operators Reciprocal Association, Indiana State University Board of Trustees, the Regional Board of Ivy Tech Community College, the Terre Haute Economic Development Corp. and the Terre Haute Chamber of Commerce. He received a B.S. degree in Political Science from Indiana State University and a Doctor of Jurisprudence degree from Indiana University.

Rodger A. McHargue, age 50 is the Chief Financial Officer of First Financial Bank and First Financial Corporation and also the Secretary and Treasurer of First Financial Corporation. He joined First Financial Corporation in 1994. Prior to that, Mr. McHargue was employed at Bank One Indianapolis for over six years. He received a B.S. degree in Economics and Finance from Indiana State University and a Masters of Business Administration from Indiana State University. He is also a graduate of the Stonier Graduate School of Banking.

Thomas S. Clary, age 60 is the Chief Credit Officer of First Financial Bank, serving since 2002. Prior to joining First Financial Corporation, Mr. Clary was a vice president of commercial lending at Regions Bank. Prior to that he served as Chief Financial Officer of Green Construction of Indiana, Inc., and also worked in public accounting. Mr. Clary is a Certified Public Accountant in the State of Indiana. He received his degree in Accounting from Indiana State University.

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Norman D. Lowery, age 44 is the Chief Operations Officer of First Financial Corporation and First Financial Bank serving since 2010. He joined First Financial Corporation in 1990 and has held a management position in Private Banking, as well as having been a Trust Investment Officer. Mr. Lowery received his B.A. degree from Indiana University and Masters of Business Administration from Indiana Wesleyan University. Mr. Lowery holds several professional accreditations, including, a New York Stock Exchange Series 7 license; Uniform Securities Agent Series 63 license; and a Uniform Investment Advisor Series 65 license. He is also an Accredited Fiduciary Investment Manager and is a licensed life insurance agent in the State of Indiana. Mr. Lowery also graduated from the Stonier Graduate School of Banking.

Karen L. Milienu, age 51 is the Branch Administrator for First Financial Bank serving since 2011. She joined First Financial Corporation in 1997 and served as the Human Resources Director. Prior to joining First Financial Corporation Ms. Milienu held positions as an Assistant Manager and various human resources positions at Fort Wayne National Corporation. Ms. Milienu received her B.A. degree from Purdue University and M.S. degree from Indiana University. Ms. Milienu holds several professional accreditations including, Senior Professional in Human Resources, Certified Compensation Professional, Certified Sales / Management Development Trainer, and Certified Sales Trainer.

Compensation Discussion and Analysis

Highlights of 2011 Financial Performance

The year 2011 was marked by continued slow economic growth, weak housing and continued high unemployment. Throughout the recession that began in December of 2007 and the sluggish recovery that began in June 2009, the Corporation has maintained its focus on the sound business fundamentals that have been crucial to its success. We believe this focus, coupled with strong leadership and dedicated, hardworking employees are a source of our strength and consistent performance.

In 2011the Corporation again delivered solid financial performance as net income increased 32.6% to a record level $37.2 million. This performance was in part driven by a 3.4% increase in our net interest margin to 4.50%. Non-interest income increased year over year by 11.89%. The Corporation continued its spending discipline in 2011 with non-interest expense decreasing $2.4 million. With record earnings the Corporation increased its dividend to shareholders for the 23rd consecutive year.

2011 was significant for another reason as we completed our largest acquisition to date when the Bank purchased the assets and assumed the liabilities of Freestar Bank N.A. and certain liabilities of PNB Holding Company. This acquisition was a strategic entrance into the Champaign, Bloomington and Pontiac markets. Each of which is characterized by higher growth rates.

The Corporation ended 2011 with slightly less than $3.0 billion in assets, a 7.24% increase. Loans grew by 15.5% to over $1.9 billion and deposits grew by 19.5% to $2.3 billion.

Our performance in 2011 was well in excess of the goals the Corporation established. A more in-depth discussion of these goals are included in the Compensation Discussion and Analysis that begins on this page. As a result of this performance Messrs. Smith, McHargue, Clary, and Norman D. Lowery earned maximum level awards under the 2011 Short Term Incentive Compensation Plan and Mr. Norman L. Lowery earned a target level award. Awards of restricted stock to our named executive officers in 2012 under our 2011 Omnibus Equity Incentive Plan were based on the attainment in aggregate of maximum performance levels established in 2011 by our Compensation and Employee Benefits Committee as described in more detail beginning on page 24.

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The graph below represents the five-year total return of the Corporation s stock. The five year total return for our stock during this time was 8.64%. During this same period, the return on The Russell 2000 Index was only .75% and the SNL Index of Banks $1 $5 Billion actually had a negative return of 55.23%.

	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,
			Period Ending			
Index	**12/31/06**	**12/31/07**	**12/31/08**	**12/31/09**	**12/31/10**	**12/31/11**
First Financial Corporation	100.00	82.46	122.53	93.82	111.35	108.64
Russell 2000	100.00	98.43	65.18	82.89	105.14	100.75
SNL Bank $1B-$5B	100.00	72.84	60.42	43.31	49.09	44.77

Overview of the Compensation Program and the Compensation and Employee Benefits Committee

The Compensation and Employee Benefits Committee (the Committee) is responsible for evaluating and establishing compensation levels and compensation programs for the Corporation s named executive officers. The Committee has established a range of plans and programs which are intended to encourage both current year performance and create long-term shareholder value, without exposing the Corporation to excessive amounts of risk associated with the financial services industry. The Committee considers material operational risks of the Corporation, including: credit risk, interest rate risk, liquidity risk, reputation risk, compliance risk and transaction risk and the added potential for loss that could result from any of the compensation plans or programs provided to all employees. The Committee also charges the Corporation s General Auditor with performing a risk assessment of the incentive compensation program. Upon review of these risks and the report of the General Auditor, the Compensation and Employee Benefits Committee has determined that the Corporation s compensation arrangements and policies do not encourage excessive risk-taking.

Compensation Philosophy and Objectives

The Committee s executive compensation policies are designed to attract and retain highly qualified persons as named executive officers, to provide competitive levels of compensation to the named executive officers and to reward the named executive officers for achieving individual performance and for achieving performance of the Corporation as a whole. Additionally, the policies seek to provide a vehicle for the Committee to evaluate and measure the performance of the Corporation and the executives in accordance with the results of those evaluations. The individual goals established in the strategic plan and budget for the Corporation and the Bank are also utilized in setting compensation levels of the named executive officers. The Committee seeks to compensate the named executive officers through a blend of both short and long-term compensation.

Role of Named Executive Officers in Compensation Decisions

Norman L. Lowery is invited to attend the Committee meetings at which compensation actions involving our named executive officers are discussed. Norman L. Lowery assists by making recommendations regarding compensation actions relating to the named executive officers other than himself and Mr. Smith. Norman L. Lowery excuses himself and does not participate in any meetings of the Committee at which either his or Mr. Smith s compensation is discussed. The other named executive officers do not participate in the meetings of the Committee or in establishing the compensation of the named executive officers.

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Role of the Compensation Consultants

The Committee has authority to retain its own advisors, including compensation consultants. In April 2010, the Committee retained Grant Thornton LLP (Grant Thornton) as its independent compensation consultant to assist the Committee. Grant Thornton did not perform any services for management and interacted with members of management only under the Committee s oversight and with the knowledge and permission of the Committee chair. Grant Thornton s duties included the review and design of a short-term incentive plan, the design of a long-term incentive plan for key executive officers, a review of director compensation and the confirmation of the competitiveness of total compensation for certain executive officers based on a market study of 31 financial institutions with asset ranges between $2 billion and $4.5 billion. In connection with Grant Thornton s recommendations, the Board adopted the 2011 Short Term Incentive Compensation Plan and the 2011 Omnibus Equity Incentive Plan which was approved by our shareholders at our 2011 annual meeting and is described in the following section under the heading 2011 Omnibus Equity Incentive Plan.

In 2011 the Committee retained Grant Thornton to consult with the Committee regarding current compensation practices. Grant Thornton provided a Banking industry update, a regulatory update on compensation and corporate governance topics and other topics related to First Financial Corporation and its compensation plans.

Elements of Executive Compensation

The compensation programs of the Corporation for its named executive officers are administered by or under the direction of the Committee and are reviewed on an annual basis to ensure that total compensation levels and benefits are comparable to other similarly-sized corporations with comparable performance within our industry and are competitive. With respect to the named executive officers other than the Chairman of the Board and Chief Executive Officer, the Committee reviews and compares individual performance with respect to individual goals, area goals and Corporation goals. Because the Chairman of the Board and Chief Executive Officer have greater responsibility for the overall operations of the Corporation, the Committee reviews and compares the following with respect to their compensation:

- the performance of the Corporation and the Bank compared to previous years and to the budget;
- past compensation levels for these officers;
- the compensation levels at comparable financial institutions, as discussed below; and
- total shareholder return.

The Committee considers information from a variety of sources, including its compensation consultant, regarding the appropriate mix and levels of the major components of compensation discussed below. The major components of our compensation programs are comprised of the following elements, which are described in more detail in this section:

- base salary;
- short-term cash incentive awards;
- performance-based equity awards; and
- employment and post-employment benefits.

Base Salary

Base salary is a fixed component of total cash compensation and is intended to reward the named executive officers for their past performance and to facilitate the attraction and retention of a skilled and experienced management team. The Committee establishes, and the Board of Directors approves, a total pool for salaries for each fiscal year, typically expressed as a percentage increase over the prior year s total aggregate base salaries. Individual base salary increases for all employees, including the named executive officers, are awarded as allocations from the salary pool. In establishing the amount of the pool, the Committee and the Board of Directors considers general economic conditions (such as inflation and recessionary factors), the performance of the Corporation and the Bank and other sources of information such as third-party compensation surveys, including the Crowe Horwath Financial Institutions Compensation Survey and surveys provided by AON-Hewitt, The Hay Group, The Conference Board, and Mercer and Towers Watson.

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In 2010, the Committee retained Grant Thornton to confirm that total compensation for select positions was competitive. As discussed previously, Grant Thornton provided the Committee with market trend information, data and recommendations regarding the alignment of pay and performance. Grant Thornton also recommended that the base pay element of total compensation be used as the platform for the determination of total compensation. After reviewing third-party data sources and information from Grant Thornton, for 2011, the Committee established a pool of 2.90% over the prior year s total aggregate base salaries.

The Committee does not use any third-party data sources, including information provided by Grant Thornton, for benchmarking the size of the salary pool, the size of base salaries or any other element of compensation for the named executive officers. Rather, such sources are reviewed and considered by the Committee in order to stay abreast of current compensation practices, levels and structures and thereby better inform its compensation decisions. The Committee considers all sources of information together and utilizes its members experience and judgment in determining the amount of the pool for base salary increases.

With respect to individual named executive officers, annual increases to base salaries are awarded based on the idea that an increase should reward performance and not longevity. Executive officers whose performance may justify an increase could receive a greater allocation from the pool as a base salary increase than do executive officers who have not performed as well during the prior year. Executive officers who have exceeded job expectations may, in the discretion of the Committee, be awarded a base salary increase which is greater than the amount which would be otherwise dictated by the size of the pool. Conversely, executive officers who did not meet job expectations may, in the discretion of the Committee, receive little or no percentage increase in base salary. For 2011, even though the Corporation and Bank experienced strong performance through the efforts of our entire management team, the Committee did not exercise its discretion to award a named executive officer either (i) a base salary increase of greater than the pool for exceeding performance expectations or (ii) no salary increase for failing to meet minimum performance expectations.

More specifically, base salary for a named executive officer is determined after the officer s performance is reviewed by the Committee. This review includes an analysis of the performance of the Corporation and the Bank and an analysis of the individual s performance during the past fiscal year, with a focus on the officer s goal attainment; supervisory skills; dependability; initiative; overall skill level; and overall value to the Corporation. The Committee has not attempted to rank or otherwise assign relative weights to the factors that it considers. The Committee considers all of the factors as a whole and collectively makes its decision with respect to base salaries in light of the factors that each of the members considers important.

With respect to the determination of the base salary increase for the Chief Executive Officer, the Committee reviews and considers the factors and third-party data sources discussed above. With respect to the Chief Executive Officer, the Committee also considers the terms of Mr. Norman L. Lowery s employment agreement, which requires a minimum annual base salary of $585,826. Specifically, prior to a Change in Control (as discussed in Potential Payment Upon Termination or Change in Control of the Corporation on page 35), the Committee may only declare decreases in the base salary awarded to Mr. Norman L. Lowery if the operating results of the Bank are significantly less favorable than those for the fiscal year ending December 31, 2009 and the Bank makes similar decreases in the base salary it pays to other executive officers of the Bank. Additional information concerning Mr. Norman L. Lowery s employment agreement is provided below in the narrative under Employment Agreement with Norman L. Lowery.

With respect to the determination of the base salary increase for the Chairman of the Board and President, the Committee reviews and considers the factors and third-party data sources discussed above. Mr. Smith has informed the Board that in 2012 he would like to focus his role as Chairman of the Board and President more on nurturing and developing his extensive civic and business contacts in our community and less on the day-to-day operations of the Corporation, and the Board has agreed to this request by Mr. Smith. As such, Mr. Smith and the Committee agreed to a base salary in 2012 of $200,000.

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The Committee has not established a policy or a specific formula for determining the amount or relative percentage of total compensation which should be derived by the named executive officers from their base salary. Rather, the Committee considers all of the information available to it and utilizes its members experience and judgment in determining the amount of the base salaries of the named executive officers.

Cash Incentive Compensation

The Corporation s cash incentive programs are intended to align employees goals with the Corporation s revenue and earnings growth objectives.

2011 Short-Term Incentive Compensation Plan. The Corporation sponsors the First Financial Corporation 2011 Short-Term Incentive Compensation Plan (the 2011 STIP). Awards under the 2011 STIP are based upon the specific award amount for each individual specified. There are four tiers of participants, with a different award amount specified for each tier. The first tier consists of Mr. Smith and Mr. Norman L. Lowery; the second tier consists of Messrs. McHargue, Clary and Norman D. Lowery; the third tier consists of other senior officers. The award amounts were established after discussions with, and receipt of advice from, the Corporation s consultant, Grant Thornton.

Under the 2011 STIP, threshold performance incentives must be met in order for an award to be earned. Payouts for each of the named executive officers equal 80% of the respective target award for performance at threshold, 100% of the respective target award for performance at target, and 125% or 120% for tiers 1 and 2 respectively, of the respective target award for maximum performance. The Committee spends a significant amount of time analyzing financial measures and determining the level of performance required to receive threshold, target and maximum annual incentive payouts. The Committee established the performance incentives in amounts which it believes to be achievable given a sustained effort on the part of the named executive officers and which require increasingly greater effort to achieve the target and superior objectives.

The annual incentive opportunities for each of the named executive officers are based upon weighted performance measures which are determined by the Committee based upon its assessment of what is important to the Corporation s and the Bank s overall performance and within the scope of control of the respective named executive officers. For 2011, the performance measures were weighted as follows:

	Net Income	Return on Assets	Return on Equity	Contribution to Income	Total Loan Growth	Asset Quality	Net Charge-offs	Loan Spread
Donald E. Smith	33.33%	33.33%	33.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Norman L. Lowery	33.33%	33.33%	33.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Rodger A. McHargue	33.33%	33.33%	33.34%	0.00%	0.00%	0.00%	0.00%	0.00%
Thomas S. Clary	10.00%	10.00%	10.00%	15.00%	20.00%	10.00%	10.00%	15.00%
Norman D. Lowery	33.33%	33.33%	33.34%	0.00%	0.00%	0.00%	0.00%	0.00%

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As shown above, performance measures are compared to goal and weighted accordingly. The goals for each of the named executive officers are listed below.

The goals at each of the three levels of performance and actual performance levels for the named executive officers are contained in the table below.

Measure	September 30, Level	September 30, Smith	September 30, NL Lowery	September 30, McHargue	September 30, ND Lowery	September 30, Clary
Net Income	Threshold	$ 22,850	$ 22,130	$ 22,130	$ 22,130	$ 22,130
	Target	$ 28,563	$ 27,662	$ 27,662	$ 27,662	$ 27,662
	Maximum	$ 35,704	$ 34,578	$ 33,194	$ 33,194	$ 33,194
	Actual	$ 37,195	$ 33,994	$ 33,994	$ 33,994	$ 33,994
Return on Assets	Threshold	0.91%	0.91%	0.91%	0.91%	0.91%
	Target	1.14%	1.14%	1.14%	1.14%	1.14%
	Maximum	1.43%	1.43%	1.37%	1.37%	1.37%
	Actual	1.49%	1.41%	1.41%	1.41%	1.41%
Return on Equity	Threshold	6.76%	7.09%	7.09%	7.09%	7.09%
	Target	8.45%	8.86%	8.86%	8.86%	8.86%
	Maximum	10.56%	11.08%	10.63%	10.63%	10.63%
	Actual	10.95%	10.83%	10.83%	10.83%	10.83%
Contribution to Income	Threshold					$ 28,226
	Target					