

FIRST FINANCIAL CORP /IN/
Form DEF 14A
March 16, 2006

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 Section 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.

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(3) Filing Party:

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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 19, 2006

Notice is hereby given that, pursuant to the call of its Directors, an Annual Meeting of Shareholders of First Financial Corporation ("Corporation") will be held on April 19, 2006 at 11:00 o'clock 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 Patrick O'Leary to the Board of Directors of the Corporation for a three (3) year term to expire in 2009;
- (2) To elect Ronald K. Rich to the Board of Directors of the Corporation for a one (1) year term to expire in 2007;

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

Only shareholders of record at the close of business on March 15, 2006 will be entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

/S/ Donald E. Smith
DONALD E. SMITH
Chairman of the Board and President

March 21, 2006

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.

PROXY STATEMENT OF
FIRST FINANCIAL CORPORATION
ONE FIRST FINANCIAL PLAZA
P.O. BOX 540 o TERRE HAUTE, INDIANA 47808
(812) 238-6000

ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 19, 2006
GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of First Financial Corporation (the "Corporation") of Proxies for use at the Annual Meeting of Shareholders of the Corporation to be held on April 19, 2006, at 11:00 a.m. local time at One First Financial Plaza, Terre Haute, Indiana, and at any and all adjournments of such meeting. This Proxy Statement and accompanying form of proxy were first mailed to the shareholders on or about March 30, 2006.

The Corporation is a financial services holding company which owns First Financial Bank N.A. ("FFB"), The Morris Plan Company of Terre Haute, Inc., Forrest Sherer, Inc. and First Financial Reinsurance Company, Ltd.

Only shareholders of record as of March 15, 2006, will be entitled to notice of, and to vote at, the Annual Meeting. As of March 10, 2006 the Corporation had issued and outstanding 13,323,785 shares of common stock, which were held by approximately 885 shareholders of record. There are no other outstanding securities of the Corporation entitled to vote. On the matters to be voted on at this Annual Meeting, each share is entitled to one vote, exercisable in person or by proxy.

The presence, in person or by proxy, of a majority of the outstanding shares of

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Common Stock is necessary to constitute a quorum. Shares voting, abstaining or withholding authority to vote on any issue will be counted as present for purposes of determining a quorum. Approval by a plurality of the votes cast at the meeting, assuming a quorum is present, is required for election of each nominated director. Action on any other matters to come before the meeting must be approved by an affirmative vote of a majority of the shares present, in person, or by proxy. Abstentions, broker non-votes, and instructions on the accompanying proxy card to withhold authority to vote for one or more of the named nominees will result in the respective nominee receiving fewer votes.

The cost of soliciting proxies will be borne by the Corporation. In addition to use of the mails, proxies may be solicited personally, electronically or by telephone by officers, directors and certain employees who will not be specially compensated for such soliciting.

Any shareholder giving a proxy has the right to revoke it at any time before it is exercised. Therefore, execution of the proxy will not affect the shareholder's right to vote in person if he or she attends the meeting. Revocation may be made prior to the meeting (i) by written notice sent to Michael A. Carty, Secretary, First Financial Corporation, One First Financial Plaza, P.O. Box 540, Terre Haute, Indiana 47808, (ii) personally upon oral or written request at the Annual Meeting, or (iii) by duly executing a proxy bearing a later date.

The shares represented by proxies will be voted as instructed by the shareholders giving the proxies. In the absence of specific instructions to the contrary, proxies will be voted in favor of the election as directors of the four (4) persons named as nominees in this Proxy Statement. 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 form of proxy will have discretionary authority to vote for a substitute nominee or nominees named by the Governance/Nominating Committee if the Board of Directors elects to fill such nominees' position. If any shareholder proposal intended to be presented at the 2006 Annual Meeting was not received by the Corporation on or before February 6, 2006, the proxies will have discretionary authority to vote on the matter. Any other matters that may properly come before the meeting will be acted upon by the persons named as proxies in the accompanying form of proxy in accordance with his or her discretion.

ELECTION OF DIRECTORS

The Board of Directors is currently composed of ten (10) 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 nominees for election as director are nominated to serve for terms to expire as of the 2009 Annual Meeting with the exception of director Ronald Rich, who has been nominated to complete a term to expire as of the 2007 Annual Meeting. Each nominee is a current director of the Corporation. The following information is provided concerning each nominee and each incumbent director continuing in office.

CERTAIN INFORMATION REGARDING DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information regarding directors, nominees and the executive officers named in the Summary Compensation Table of the Corporation, including beneficial ownership of the Corporation's common stock as of March 10, 2006, by each of the Corporation's directors, nominees and the Named Executive Officers; and all current directors and executive officers as a group.

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1

| NAME, AGE AND PRINCIPAL OCCUPATION DURING THE PAST FIVE YEARS | DIRECTOR SINCE | SHARES OF COMPANY BENEFICIALLY OWNED O NUMBER | PE |
|---|-------------------|---|----|
| ----- | | | |
| NOMINEES FOR TERMS TO EXPIRE IN 2009 | | | |
| Thomas T. Dinkel, 55 President of Sycamore Engineering, Inc. | 1989 | 11,870 | |
| Norman L. Lowery, 59, Vice Chairman of the Board and CEO; Vice President of the Corporation; President of First Financial Bank N.A. | 1989 | 20,536 | |
| Patrick O'Leary, 69 President of Contract Services, LLC | 1983* | 52,575 | |
| NOMINEE FOR TERM TO EXPIRE IN 2007 | | | |
| Ronald K. Rich, 68 Financial Representative Northwest Mutual Financial Network | 2005 | 2,050 | |
| INCUMBENT MEMBERS OF THE BOARD OF DIRECTORS WHOSE TERMS EXPIRE IN 2007 | | | |
| W. Curtis Brighton, 52 Executive Vice President and General Counsel Hulman and Company | 2004 | 11,000 | |
| Donald E. Smith, 79 Chairman of the Board and President | 1983* | 153,728 | |
| INCUMBENT MEMBERS OF THE BOARD OF DIRECTORS WHOSE TERMS EXPIRE IN 2008 | | | |
| B. Guille Cox, Jr., 60 Attorney-at-Law with Cox Zwerner Gambill & Sullivan | 1983* | 84,569 | |
| Anton H. George, 46 President of Indianapolis Motor Speedway Corp., Director of Vectren Corporation | 1989 | 618 | |
| Gregory L. Gibson, 43 President of ReTec, Inc. | 1994 | 66,962 | |
| Virginia L. Smith, 57 President of R.J. Oil, Inc. | 1987 | 10,952 | |
| * First Financial Corporation was formed in 1983. | | | |
| OTHER EXECUTIVE OFFICERS | | | |
| Thomas S. Clary, 54 Senior Vice President & CCO of First Financial Bank N.A. | | 268 | |
| Michael A. Carty, 55, Secretary/Treasurer | | 14,345 | |

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Senior Vice President & CFO of First Financial Bank N.A.

Richard O. White, 58
Senior Vice President of First Financial Bank N.A.

19,770

All Directors and Executive Officers as a group beneficially own 449,377 shares, which is 3.37% of the shares outstanding. This includes shares held for the accounts of Donald E. Smith, Norman L. Lowery, Thomas S. Clary, Michael A. Carty and Richard O. White in the First Financial Corporation Employee Stock Ownership Plan.

(1) The information contained in this column is based upon stockholder records of the Corporation and information furnished to the Corporation by the individuals identified above. Unless otherwise indicated, each individual has sole voting and investment power of the shares indicated.

(2) Mr. Cox, under certain circumstances, has the power, with the consent of others, to vote an additional 339,906 shares (2.52%). These shares are not reflected in the number of shares or percent of class attributed to him in the above table.

(3) Mr. Lowery has the power to vote an additional 66,666 (.50%) shares as co-trustee of the Root Children's Business Trust. These shares are not reflected in the number of shares or percent of class attributed to him in the above table.

2

The Corporation's executive officers served as executive officers of the Corporation or FFB for the following periods:

| NAME AND EXECUTIVE OFFICER POSITION | EXECUTIVE OFFICER |
|---|-------------------|
| Donald E. Smith, Chairman and President | 1983 |
| Norman L. Lowery, Vice Chairman and CEO | 1996 |
| Michael A. Carty, Secretary, Treasurer, Senior Vice President and CFO | 1983 |
| Richard O. White, Senior Vice President of First Financial Bank N.A. | 1983 |
| Thomas S. Clary, CCO and Senior Vice President of First Financial Bank N.A. | 2002 |

ADDITIONAL INFORMATION CONCERNING THE BOARD OF DIRECTORS

DIRECTOR INDEPENDENCE. The Board of Directors has determined that under the rules of the NASDAQ Stock Market, a majority of the Board of Directors is comprised of independent directors, and that the following directors are independent: Messrs. Brighton, Rich, George, Gibson, Dinkel and O'Leary.

ATTENDANCE AT MEETINGS. During 2005 the Board of Directors of the Corporation held 12 regular meetings and a total of 17 meetings. No incumbent director attended fewer than 75% of the aggregate number of Board meetings and meetings of committees on which he or she served. Although the Corporation has no formal policy on director attendance at annual meetings of shareholders, they are encouraged to attend such meetings. Eight directors attended the 2005 Annual Meeting of Shareholders.

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CERTAIN RELATIONSHIPS. Certain family relationships exist among the directors of the Corporation. Donald E. Smith is the father of Virginia L. Smith and father-in-law of Norman L. Lowery. There are no arrangements or understandings between any of the directors pursuant to which any of them have been selected for their respective positions.

CODE OF BUSINESS CONDUCT AND ETHICS. The Corporation has adopted a Code of Business Conduct and Ethics (the "Code") 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 Code is posted on the Corporation's website at www.first-online.com. The Corporation intends to disclose any amendments to the Code by posting such amendments on its website. In addition, any waivers of the Code for directors or executive officers of the Corporation will be disclosed in a report on Form 8-K.

COMMITTEES:

GOVERNANCE/NOMINATING COMMITTEE. Members consist of Messrs. O'Leary, Gibson and Rich. The Board of Directors has determined that Messrs. O'Leary, Gibson and Rich are independent under Rule 10A-3 of the SEC and the rules of the NASDAQ Stock Market. The Governance/Nominating Committee identifies director nominees through a combination of referrals, including management, existing board members and shareholders. This Committee met four times during 2005. A copy of the charter of this Committee is available on the Corporation's web site at www.first-online.com. There are four director nominees for the 2006 Annual Meeting, all of whom are incumbent directors.

AUDIT COMMITTEE. Members consist of Anton H. George, Thomas T. Dinkel and Patrick O'Leary. The Board of Directors has determined that Messrs. George, Dinkel and O'Leary are independent under Rule 10A-3 of the SEC and the rules of the NASDAQ Stock Market. The Audit Committee reviews the Corporation's operations and management, accounting functions, and the adequacy and effectiveness of the internal controls and internal auditing methods and procedures and is responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm for the Corporation. The Audit Committee had five meetings during 2005. A copy of the charter of this Committee is posted on the Corporation's website at www.first-online.com.

The Board of Directors has determined that a current member of the Audit Committee is financially sophisticated under 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 auditors. In addition, the Audit Committee has the ability on its own to retain independent accountants or other consultants 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. The Corporation is actively engaged in recruiting a "financial expert" to serve as a member of the Board of Directors and as a member of the Audit Committee. 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

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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 COMMITTEE. Members consist of Messrs. George, O'Leary and Rich. The Board of Directors has determined that Messrs. George, O'Leary and Rich are independent under Rule 10A-3 of the SEC and the rules of the NASDAQ Stock Market. The Compensation Committee approves the compensation of the officers of the Corporation and its subsidiaries. Such Committee met three times in 2005.

COMPENSATION OF DIRECTORS. Each director of the Corporation is also a director of FFB, the lead subsidiary bank of the Corporation, and receives directors' fees from each of the Corporation and FFB. During 2005 each director of the Corporation and FFB received a fee of \$750 for each board meeting attended.

3

Non-employee directors also receive a fee for each meeting attended of the Audit Committee of \$1,000, the Compensation Committee of \$1,000, the Governance/Nominating Committee of \$500 and the Loan Discount Committee of \$300. Each director also received from FFB a semi-annual director's fee of \$2,500 on July 15th and December 16th. No non-employee director served as a director of any other subsidiary of the Corporation.

Directors of the Corporation and FFB who are not yet 70 years of age may participate in a deferred director's fee program at each institution. Under this program, a director may defer \$6,000 of his or her director's fees each year over a five-year period. Payment will be made in 120 monthly installments. If the director is still a director at the end of the five-year period, then he or she will be entitled to enter into a new compensation agreement. The amount of deferred fees is used to purchase an insurance product which funds these payments. 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. The Corporation expects that the cash surrender value of the insurance policy will offset the amount of expenses accrued. 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 60 regular or special meetings over the five-year period, the amount of payment will be prorated appropriately. For 2005, the allocated cost of the deferred directors' fees was \$164,376.

Directors also may be compensated under the Corporation's 2001 and 2005 Long-Term Incentive Plans, discussed under "Report of the Compensation Committee on Executive Compensation." Under the plans, directors may receive 90%, 100% or 110% of the director's "award amount" if the Corporation and FFB attain certain goals established by the Compensation Committee. For 2005, each director received pursuant to the 2005 Long-Term Incentive Plan an award of \$37,300 from the Corporation, which represented 100% of the director's "award amount" under that plan for 2005.

COMPENSATION OF OFFICERS

REPORT OF THE COMPENSATION COMMITTEE ON EXECUTIVE COMPENSATION

Decisions on compensation of the Corporation's executives are made by the Compensation Committee of the Board, which also serves as the Compensation Committee of FFB. The Board of Directors has determined that each member of the

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Compensation Committee is "independent" under Rule 10A-3 of the SEC and the rules of the NASDAQ Stock Market. All decisions of the Compensation Committee relating to the compensation of the Corporation's executive officers are reviewed and ratified by the full Board.

COMPENSATION POLICIES TOWARD EXECUTIVE OFFICERS. The Compensation Committee's executive compensation policies are designed to provide competitive levels of compensation to the executive officers and to reward officers for satisfactory individual performance and for satisfactory performance of the Corporation as a whole. The individual goals established in the strategic plan and budget for the Corporation and FFB, and the goals relating to performance of the Corporation, established under the 2005 Long-Term Incentive Plan discussed below, are also utilized in setting compensation levels of executive officers.

BASE SALARY. Base salary for an executive officer is determined after the executive officer is reviewed by the Compensation Committee. This review includes an analysis of the performance of the Corporation and FFB and an analysis of the individual's performance during the past fiscal year, with a focus on the executive officer's quality and quantity of work; supervisory skills; dependability; initiative; attendance; overall skill level; and overall value to the Corporation. This analysis also includes a comparison of actual individual performance versus established strategic planning and budgetary goals.

ANNUAL BONUS AMOUNTS. The Compensation Committee determines whether a bonus should be paid based primarily upon the overall performance of the Corporation. For 2005, Messrs. Smith, Lowery, Carty, Clary and White each received a bonus of \$150,000, \$150,000, \$19,500, \$15,000 and \$14,000, respectively.

LONG-TERM INCENTIVE PLAN. Beginning in 1999 the Board began discussions with several consultants regarding compensation programs. These discussions focused on an analysis of compensation programs of other financial institutions and what actions were needed to provide comparable compensation packages to directors, officers and key employees of the Corporation and its subsidiaries. These discussions and the analysis of the information received culminated with the adoption by the Board in November 2000 of the 2001 Long-Term Incentive Plan (the "2001 Plan"), effective January 1, 2001.

The 2001 Plan was adopted after lengthy Board discussions with and consultation from an independent consultant. The 2001 Plan is designed to enhance stockholder value of the Corporation by attracting and retaining directors, officers and other key employees and provide further incentive for directors, officers and other key employees to give their maximum effort to the continued growth and success of the Corporation. This is an unfunded, nonqualified plan of deferred compensation which is administered by the Compensation Committee. The 2001 Plan was frozen effective December 31, 2004 to exempt all amounts under the 2001 Plan from the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). The Board adopted the 2005 Long-Term Incentive Plan (the "2005 Plan") as a replacement plan effective January 1, 2005. The terms of the 2005 Plan comply with Code Section 409A. Collectively the 2001 Plan and 2005 Plan are referred to as the "Plans."

Directors and executive officers who are "highly compensated employees" within the meaning of Section 201(2) of the Employee Retirement Income Security Act of 1974, as amended, and who are age 65 or under are eligible to participate in the 2005 Plan. The Compensation Committee has designated as participants in the 2005 Plan all directors of the Corporation, the executive officers listed in the summary compensation table on the following page, the presidents of its subsidiary banks and certain other officers. Individuals are not eligible to receive rewards of compensation under the Plans after age 65; however, the Compensation Committee exempted Messrs. Smith and O'Leary from the age limitations at each Plan's inception.

Awards under the 2005 Plan 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 award amounts were established after discussions with, and receipt of, advice from the Corporation's consultant, who had performed an analysis of a peer group of companies for the Corporation and the financial institutions industry generally.

Payments generally do not begin until the earlier of January 1, 2015, or the January 1 immediately following the year in which the participant reaches age 65. If a Participant is a "key employee," as defined by Code Section 416(i), then payments will be suspended for the six-month period following the date payments were scheduled to begin. Payments are in cash only and are generally made in 180 equal consecutive monthly installments.

Goals for the Terre Haute region were attained for 2005, resulting in awards equal to 100% for directors, executive officers and managers in that region. Four region and four product managers attained the first target level resulting in a 90% individual award amount.

The following table indicates awards for the 2005 plan year:

| LONG-TERM INCENTIVE PLAN AWARDS IN THE LAST FISCAL YEAR | | | | |
|---|---------------|------------------|-----------------------|-------------|
| NAME | NUMBER OF | PERFORMANCE OR | ESTIMATED FUTURE PAYO | |
| | SHARES, UNITS | OTHER PERIOD | NON-STOCK PRICED-BASE | |
| | OR OTHER | UNTIL MATURATION | ----- | ----- |
| | RIGHTS | OF PAYOUT (1) | THRESHOLD (\$) | TARGET (\$) |
| Donald E. Smith | N/A | 1-1-2010 | \$356,400 | \$396,000 |
| Norman L. Lowery | N/A | 1-1-2012 | \$296,820 | \$329,800 |
| Michael A. Carty | N/A | 1-1-2015 | \$ 70,290 | \$ 78,100 |
| Richard O. White | N/A | 1-1-2013 | \$ 62,856 | \$ 69,840 |
| Thomas S. Clary | N/A | 1-1-2015 | \$ 57,672 | \$ 64,080 |

(1) Awards under the 2005 Plan are based on performance over one calendar year. Payments generally do not begin until the earlier of January 1, 2015, or the January 1 immediately following the year in which the participant reaches age 65. Directors and executives become 100% vested in their awards if or when they have provided five years of service to the Corporation or the respective subsidiary by which they are employed.

(2) Awards of compensation equal 90%, 100% or 110% of the individual's award amount. The percentage of the award made is dependent upon whether the Corporation and the subsidiary banks attain either the first, second or third target level of performance goals established by the Compensation Committee for the Corporation and each subsidiary bank. If the first target level is not attained, no award is made. If the first, second or third levels of the performance goals are attained, the award will equal 90%, 100% or 110% of the award amount, respectively. Awards for 2005 were based on a weighted point total of the following target goals for the Corporation: (i) product, and (ii)

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regional contribution to income before tax.

OTHER COMPENSATION PLANS. At various times in the past the Corporation has adopted certain broad-based employee benefit plans in which the executive officers are permitted to participate on the same terms as other Corporation employees who meet applicable eligibility criteria, subject to any legal limitations on the amount that may be contributed or the benefits that may be payable under the plans.

BENEFITS. The Corporation provides certain other benefits to the executive officers which did not exceed 10% of salary and bonus for fiscal 2005.

CHIEF EXECUTIVE OFFICER'S 2005 COMPENSATION. The Compensation Committee recommends Mr. Lowery's salary and bonus in the same manner as discussed above for other executives. In establishing the elements of Mr. Lowery's compensation for 2005, the Compensation Committee made an overall assessment of Mr. Lowery's leadership in establishing the Corporation's long-term and short-term strategic goals. Mr. Lowery's total compensation reflects these competitive issues and the Corporation's and FFB's performance for 2005 and the past five years. In making its recommendation, the Compensation Committee analyzed: (i) comparable compensation levels of comparable peers in the same geographical location, (ii) five independent sources regarding appropriate salary increases, (iii) inflation adjustments, and (iv) job performance.

MEMBERS OF THE 2005 COMPENSATION COMMITTEE

Patrick O'Leary, Compensation Committee Chairman o
Anton H. George o Ronald K. Rich

SUMMARY COMPENSATION TABLE

The following table sets forth for each of the last three fiscal years the cash compensation paid by the Corporation, as well as certain other compensation paid or awarded during those years, to the Chief Executive Officer and each of the next four most highly compensated executive officers of the Corporation or FFB in all capacities in which they served.

5

| NAME AND PRINCIPAL POSITION | YEAR | ANNUAL COMPENSATION (1) SALARY (2) | BONUS (3) | ALL OTHER COMPENSATION (4) |
|---|------|---------------------------------------|-----------|----------------------------|
| DONALD E. SMITH President & Chairman of the Corporation; Chairman of FFB | 2005 | \$553,457 | \$150,000 | \$396,000 |
| | 2004 | \$535,230 | \$150,000 | \$375,600 |
| | 2003 | \$519,630 | \$150,000 | \$402,225 |
| NORMAN L. LOWERY Vice Chairman, CEO & Vice President of the Corporation; President & CEO of FFB | 2005 | \$457,434 | \$150,000 | \$334,695 |
| | 2004 | \$446,700 | \$150,000 | \$317,695 |
| | 2003 | \$429,944 | \$150,000 | \$300,395 |
| MICHAEL A. CARTY CFO, Secretary & Treasurer of the | 2005 | \$173,590 | \$ 19,500 | \$ 79,300 |
| | 2004 | \$163,326 | \$ 19,000 | \$ 75,200 |
| | 2003 | \$144,935 | \$ 16,000 | \$ 71,100 |

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Corporation; Sr. Vice
President of FFB

| | | | | |
|--------------------|------|-----------|-----------|-----------|
| RICHARD O. WHITE | 2005 | \$143,593 | \$ 14,000 | \$ 71,040 |
| Sr. Vice President | 2004 | \$139,638 | \$ 16,000 | \$ 74,700 |
| of FFB | 2003 | \$134,280 | \$ 16,000 | \$ 70,600 |
| THOMAS S. CLARY | 2005 | \$153,622 | \$ 15,000 | \$ 66,424 |
| Sr. Vice President | 2004 | \$150,151 | \$ 16,000 | \$ 70,244 |
| of FFB & COO | 2003 | \$141,215 | \$ 16,000 | \$ 66,844 |

(1) While officers enjoy certain perquisites, such perquisites do not exceed the lesser of \$50,000 or 10% of such officer's salary and bonus and are not required to be disclosed by applicable rules of the Securities and Exchange Commission.

(2) Salary reflects base compensation and income earned in the form of director's fees from the Corporation or its affiliate banks during the indicated calendar years.

(3) The bonus amounts are payable pursuant to determinations made by the Compensation Committee of the Corporation, as described in the Compensation Committee Report and as approved by the Board of Directors.

(4) These amounts represent the amount awarded under the 2005 Plan. Payment of these amounts will not begin until the earlier of January 1, 2015, or the January 1 immediately following the year in which the participant reaches age 65. These payments generally will be annuitized over a 180-month period. Interest accrues on these amounts at 3.50% from January 1, 2010, until payment begins. When payment begins, interest will accrue on the unpaid portion at a 7.00% annual rate compounded monthly. The 2005 Plan requires vesting over a five-year period. As such Mr. Clary, with three full years of vesting, is entitled to receive only 60% of his awarded amount at December 31, 2005. See the discussion under "Employment Agreements" concerning payments resulting from a "change in control," as defined in the 2005 Plan.

These amounts also include Corporation payments for the years noted on behalf of the above-named individuals (except Mr. Smith) pursuant to a life insurance program (the "Life Insurance Program") for the executive officers of FFB. Under the Life Insurance Program, FFB purchased a life insurance policy on behalf of each executive officer of FFB. The policy is owned by the individual and will be paid at age 65 for those who were 55 or older, and at age 60 for those who are less than 55 years of age at the time the program was started. The annual cost of this insurance for those reported (except for Mr. Smith) was as follows: \$4,895 for Mr. Lowery; \$2,344 for Mr. Clary; \$1,200 for Mr. Carty; and \$1,200 for Mr. White.

Allocations to the named individual's respective account in the Corporation's Employee Stock Ownership Plan for 2005, which are properly included in this column, were not calculable as of the date of this Proxy Statement. Such amounts for 2004 were as follows: \$11,565 for Mr. Smith; \$11,565 for Mr. Lowery; \$9,908 for Mr. Carty; \$8,798 for Mr. Clary; and \$8,780 for Mr. White.

EMPLOYEE BENEFIT PLANS

SAVINGS PLAN. The First Financial Corporation Employees' 401(k) Savings Plan (the "Savings Plan") is a qualified salary reduction plan within the meaning of Code Section 401(k). Under the Savings Plan all eligible employees may make before-tax contributions from their compensation to the Savings Plan Trust for their accounts. Subject to limits established under the Internal Revenue Code, contributions may be directed in any whole percentage between 1% and 15% of the employee's base compensation and certain variable pay including overtime pay,

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bonuses, commissions, but excluding welfare benefits, deferred compensation, reimbursements and expense allowances. Amounts contributed to the Savings Plan may be invested in certain investment choices.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. The First Financial Corporation Supplemental Executive Retirement Plan (the "SERP") provides supplemental retirement benefits for a select group of management or highly compensated employees to help recompense the employees for benefits lost due to the imposition of Code limitations on benefits under the First Financial Corporation Employees'

6

Pension Plan. Amounts payable under the SERP are offset by amounts payable under the First Financial Executives' Deferred Compensation Plan. The SERP was frozen effective December 31, 2004 to exempt all amounts under the SERP from Code Section 409A. The Board adopted The First Financial Corporation 2005 Supplemental Executive Retirement Plan (the "2005 SERP") as a replacement plan effective January 1, 2005. The 2005 SERP complies with Code Section 409A. Amounts payable under the 2005 SERP will be offset by amounts payable under The First Financial Corporation 2005 Executives' Deferred Compensation Plan.

EXECUTIVES' DEFERRED COMPENSATION PLAN. The First Financial Executives' Deferred Compensation Plan (the "EDC Plan") permits a select group of management or highly compensated employees to elect to defer compensation from the employers without regard to the limitations imposed by the Internal Revenue Code on the benefits which may accrue to those employees under the First Financial Corporation Employee Stock Ownership Plan and to provide supplemental retirement benefits to help recompense the employees for benefits lost due to the imposition of Code limitations on the First Financial Corporation Employee Stock Ownership Plan. Amounts payable under the EDC Plan will offset amounts payable under the SERP. The EDC Plan was drafted to comply with Code Section 409A. The EDC Plan was frozen effective December 31, 2004 to exempt all amount under the SERP from Code Section 409A. The Board adopted The First Financial Corporation 2005 Executives' Deferred Compensation Plan (the "2005 EDC Plan") as a replacement plan effective January 1, 2005. The 2005 EDC Plan complies with Code Section 409A. Amounts payable under the 2005 EDC Plan will offset amounts payable under the 2005 SERP.

EMPLOYEE STOCK OWNERSHIP PLAN. The Corporation sponsors the First Financial Corporation Employee Stock Ownership Plan (the "ESOP") and the First Financial Corporation Employees' Pension Plan (the "Pension Plan") for the benefit of substantially all of the employees of the Corporation and its subsidiaries. These plans constitute a "floor offset" retirement program, so that the Pension Plan provides each participant with a minimum benefit which is offset by the benefit provided by the ESOP.

Under the terms of the ESOP, the Corporation or its subsidiaries, as participating employers, may contribute Corporation common stock to the ESOP or contribute cash to the ESOP, which will be primarily invested in the Corporation's common stock. The amount of contributions, when they are made, is determined by the Board of Directors of the Corporation. No participant contributions are required or allowed under the ESOP. Participants have the right to direct the voting of the shares of the Corporation's stock allocated to their accounts under the ESOP on all corporate matters.

For the year ended December 31, 2005, the Corporation contributed 41,500 shares of the Corporation's stock valued at \$1,143,740 to the ESOP. The stock will be allocated to the individual ESOP accounts of the participants effective as of December 31, 2005, although no allocation to the individual accounts had been

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made or calculated as of the date of mailing of this Proxy Statement.

DEFINED BENEFIT PLAN. The Pension Plan was adopted in conjunction with, but is separate from, the ESOP. The monthly guaranteed minimum benefit under the Pension Plan is reduced by the monthly benefit derived from the participant's vested portion of his ESOP account balance, calculated by the actuary for the Pension Plan as a single life annuity. The normal retirement benefit will begin at age 65 and be paid monthly for as long as the participant lives.

The following table shows the estimated annual benefits payable under the Pension Plan upon retirement at age 65 in 2005 for various periods of Benefit Service at specified levels of remuneration. A participant's Final Average Annual Compensation shown under the Pension Plan is generally based on the salary and bonus set forth in the Summary Compensation Table.

| YEARS OF BENEFIT SERVICE | ESTIMATED MINIMUM ANNUAL RETIREMENT BENEFIT FINAL AVERAGE ANNUAL COMPENSATION(1) | | | | | | 2 |
|--------------------------------|---|----------|----------|-----------|-----------|-----------|------|
| | 70K | 100K | 130K | 160K | 190K | 220K | |
| 10 | \$15,235 | \$23,185 | \$31,135 | \$ 39,085 | \$ 47,035 | \$ 54,985 | \$ 6 |
| 20 | 30,470 | 46,370 | 62,270 | 78,170 | 94,070 | 109,970 | 12 |
| 30 | 38,705 | 59,555 | 80,405 | 101,255 | 122,105 | 142,955 | 16 |
| 40 | 39,323 | 61,148 | 82,973 | 104,798 | 126,623 | 148,448 | 17 |

(1) The amounts indicated in the chart will be offset by any ESOP benefit the participant has. If the ESOP benefit is greater than the Pension Plan benefit, then no benefit will be paid by the Pension Plan. To the extent the Pension Plan benefit exceeds the ESOP benefit, such excess will be paid by the Pension Plan.

The estimated total annual benefits, as determined under the Pension Plan's formula, payable upon retirement at age 65 for the named executive officers in the Summary Compensation Table are as follows: Donald E. Smith, \$0.00, Norman L. Lowery, \$4,882.14, Michael A. Carty, \$0.00, Richard O. White, \$0.00, and Thomas S. Clary, \$3,228.74. Because ESOP data for 2005 was not available at the time of this filing, 2004 ESOP and Pension Plan data was used to calculate these amounts.

The estimated credited years of service for Donald E. Smith is 36 years, Norman L. Lowery, 9 years, Michael A. Carty, 28 years, Richard O. White, 35 years, and Thomas S. Clary, 3 years. The benefit amounts presented in the totals are annual straight life annuity amounts without deduction for Social Security or other offset amounts and without regard for the benefit limitations of the Internal Revenue Code.

EMPLOYMENT CONTRACTS

EMPLOYMENT AGREEMENT. FFB entered into an Employment Agreement with Norman L. Lowery, its President and Chief Executive Officer, effective January 1, 2006. The Employment Agreement is a five-year agreement which may be extended each year by the board of directors of FFB for an additional one-year term. Under the Employment Agreement, Mr. Lowery receives an annual salary equal to his current salary, which is \$433,908 for 2006, subject to increases approved by the Board

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of Directors, and is entitled to participate in other bonus and fringe benefit plans available to the Corporation's and FFB's employees.

If Mr. Lowery is terminated "without cause" or if he terminated for "good reason," and such termination does not occur within 12 months after a "change in control" (as such terms are defined in the Employment Agreement), he would receive an amount equal to the sum of his base salary and bonuses through the end of the then-current term of the Employment Agreement. He is entitled to receive cash reimbursements in an amount equal to his cost of obtaining all benefits which he would have been eligible to participate in or receive through the term of the Employment Agreement.

If Mr. Lowery is terminated for other than "just cause" or is constructively discharged and this occurs within 12 months following a change in control, he would be entitled to an amount equal to the greater of the compensation and benefits described above if the termination did not occur within 12 months following a change in control; or, the product of 2.99 times the sum of (i) his base salary in effect as of the date of the change in control; (ii) an amount equal to the bonuses received by or payable to him in or for the calendar year prior to the year in which the change in control occurs; and (iii) cash reimbursements in an amount equal to his cost of obtaining for a period of three years, beginning on the date of termination, all benefits which he was eligible to participate in or receive. Mr. Lowery is also entitled to the payment provided for in the paragraph if a change in control occurs that was not approved by a majority of the Board of Directors.

If Mr. Lowery qualifies as a "key employee" at the time of his separation from service, the Corporation may not make certain payments earlier than six months following the date of his Separation from Service (or, if earlier, the date of his death). Payments to which Mr. Lowery would otherwise be entitled during the first six months following the date of his separation from service will be accumulated and paid to Mr. Lowery on the first day of the seventh month following his separation from service.

If as a result of a change in control Mr. Lowery becomes entitled to any payments from FFB which are determined to be payments subject to the Code Section 280G, the amount due will be increased to include payment equal to the amount of excise tax imposed under Sections 280G and 4999 of the Code (the "Excise Tax Payment") and the amount necessary to provide the Excise Tax Payment net of all income, payroll and excise taxes.

LONG-TERM INCENTIVE PLANS. For purposes of the Plans, if Mr. Smith is terminated within 12 months following a change in control, for reasons other than for "cause," "disability" or death, he will be paid the vested account balance under the 2001 and 2005 Long-Term Incentive Plans as of December 31, 2004 plus the "projected amount" under both Plans. The applicable amount shall be paid in one single sum, for each of the Plans, within 180 days following termination.

For purposes of the Plans, if Mr. Lowery is terminated within 12 months following a change in control, for reasons other than for "cause," "disability" or death, he will be paid the vested account balance under both Plans as of December 31, 2004 plus the "projected amount" under both Plans. The applicable amount shall be paid in a single lump sum, for each of the Plans, within 180 days following termination.

If as a result of a change in control Messrs. Smith or Lowery become entitled to any payments from the Corporation or FFB which are determined to be payments subject to the "golden parachute" rules of the Code, the amount due will be increased to include payment equal to the amount of excise tax imposed under Sections 280G and 4999 of the Code (the "Excise Tax Payment") and the amount necessary to provide the Excise Tax Payment net of all income, payroll and excise taxes.

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TRANSACTIONS WITH MANAGEMENT

Directors and principal 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 2005. Comparable transactions may be expected to take place in the future.

During 2005 various directors and 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.

The law offices of B. Guille Cox, Jr., in which Mr. Cox is a partner, were paid legal fees of approximately \$73,000 by the Corporation and its subsidiaries for the fiscal year ending December 31, 2005. In addition, during 2005, Hendrich Abstract Co., Inc. received fees in connection with mortgage loans made by First Financial Bank N.A., in the amount of approximately \$200,000. Mr. Cox owns one-third of Hendrich Abstract Co., Inc., and his spouse is the Vice President of Hendrich Abstract Co., Inc.

COMPARATIVE PERFORMANCE GRAPH

The following graph compares cumulative total shareholder return on the Corporation's common stock over the last five fiscal years with the returns of (i) the Russell 2000 Index, comprised of the smallest 2000 companies of the Russell 3000 Index which includes the 3000 largest market capitalization corporations, and (ii) the SNL \$1B--\$5B Bank Index developed by SNL Securities LC which includes all bank stocks with total assets in this size range. The graph assumes \$100.00 was invested on January 1, 2000 in the Corporation's common stock and in each of the indices shown, and the reinvestment of all dividends.

8

FIRST FINANCIAL CORPORATION TOTAL RETURN PERFORMANCE

| INDEX | 12/31/00 | 12/31/01 | PERIOD ENDING | |
|-----------------------------|----------|----------|---------------|----------|
| | | | 12/31/02 | 12/31/03 |
| First Financial Corporation | \$100.00 | \$141.16 | \$160.73 | \$203.22 |
| Russell 2000 | 100.00 | 102.49 | 81.49 | 120.00 |
| SNL \$1B-\$5B Bank Index | 100.00 | 121.50 | 140.26 | 190.73 |

REPORT OF THE AUDIT COMMITTEE

In accordance with its written charter adopted by the Board of Directors, the Audit Committee of the Board ("Committee") assisted the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting,

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auditing and financial reporting practices of the Corporation. All of the members of the Committee are independent, as defined in the Corporation's listing requirements, from management and the Corporation. During the current year, the Committee met five times, and the Committee chair, as representative of the Committee, discussed the interim financial information contained in each quarterly earnings announcement with the CFO, controller and independent auditors prior to public release.

In discharging its oversight responsibility as to the audit process, the Committee obtained from the independent auditors a formal written statement describing all relationships between the auditors and the Corporation that might bear on the auditors' independence consistent with Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," discussed with the auditors any relationships that may impact their objectivity and independence and satisfied itself as to the auditors' independence. The Committee also discussed with management, the internal auditors and the independent auditors the quality and adequacy of the Corporation's internal controls and the internal audit functions organization, responsibilities, budget and staffing. The Committee reviewed both with the independent and internal auditors their audit plans, audit scope and identification of audit risks.

The Committee discussed and reviewed with the independent auditors all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, "Communication with Audit Committees," and, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Committee also discussed the results of the internal audit examinations.

The Committee reviewed and discussed the audited financial statements of the Corporation as of and for the year ended December 31, 2005, with management and the independent auditors. Management has the responsibility for the preparation of the Corporation's financial statements and the independent auditors have the responsibility for the examination of those statements.

Based on the above-mentioned review and discussions with management and the independent auditors, the Committee recommended to the Board that the Corporation's audited financial statements be included in its Annual Report on Form 10-K for the year ended December 31, 2005, for filing with the Securities and Exchange Commission.

Anton H. George, Audit Committee Chairman Patrick O'Leary Thomas T. Dinkel

PRINCIPAL ACCOUNTANT FEES

FEES PAID TO CROWE CHIZEK AND COMPANY LLC

The following table sets forth the aggregate fees billed by Crowe Chizek and Company LLC ("Crowe Chizek") for audit services rendered in connection with the consolidated financial statements and reports for fiscal year 2005 and fiscal year 2004 and for other services rendered during fiscal year 2005 and fiscal year 2004 on behalf of the Corporation and its subsidiaries, as well as all out-of-pocket costs incurred in connection with these services, which have been billed to the Corporation:

| | FISCAL 2005 ----- | FISCAL 2004 ----- |
|--------------------|----------------------|----------------------|
| Audit Fees | \$280,000 | \$312,000 |
| Audit Related Fees | 4,150 | 3,950 |

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| | | |
|----------------|-----------|-----------|
| Tax Fees | 47,590 | 60,075 |
| All Other Fees | 3,250 | 202,820 |
| | ----- | ----- |
| Total | \$334,990 | \$578,845 |

9

AUDIT FEES: Consists of fees billed for professional services rendered for (i) the audit of the Corporation's consolidated financial statements, (ii) the integrated audit over internal controls as required under Section 404 of the Sarbanes-Oxley Act applicable in 2004, (iii) the review of the interim condensed consolidated financial statements included in quarterly reports, (iv) the services that are normally provided by Crowe Chizek in connection with statutory and regulatory filings or engagements, and (v) the attest services, except those not required by statute or regulation.

AUDIT-RELATED FEES: Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's consolidated financial statements and are not reported under "Audit Fees." These services include the review of management's attestation and performance of agreed upon procedures for student loan servicing for both 2005 and 2004.

TAX FEES: Consists of tax compliance/preparation and other tax services. Tax compliance/preparation consists of fees billed for professional services related to federal and state tax compliance, assistance with tax audits and appeals and assistance related to the impact of mergers, acquisitions and divestitures on tax return preparation. Other tax services consist of fees billed for other miscellaneous tax consulting and planning.

ALL OTHER FEES: All other fees include consultation regarding implementation of a real estate investment trust (REIT) and consultation and assistance with the compliance with Sarbanes-Oxley Section 404 (SOX 404) in 2004, and SOX 404 software licensing fee in 2005.

AUDIT COMMITTEE PRE-APPROVAL OF AUDIT AND PERMISSIBLE NON-AUDIT SERVICES OF INDEPENDENT AUDITORS

All of the fees and services described above under "audit fees," "audit-related fees," "tax fees" and "all other fees" were pre-approved by the Audit Committee. The Audit Committee pre-approves all audit and permissible non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The Audit Committee has adopted a policy for the pre-approval of services provided by the independent auditors. Under the policy, pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is subject to a specific budget. In addition, the Audit Committee may also pre-approve particular services on a case-by-case basis. For each proposed service, the independent auditor is required to provide detailed back-up documentation at the time of approval. The Audit Committee may delegate pre-approval authority to one or more of its members. Such a member must report any decisions to the Audit Committee at the next scheduled meeting.

SECURITY OWNERSHIP OF PRINCIPAL SHAREHOLDERS

The following table contains information concerning individuals or entities who, to the knowledge of the Corporation, beneficially owned on March 15, 2006, more than 5% of the common stock of the Corporation:

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| NAME AND ADDRESS OF BENEFICIAL OWNER | SHARES BENEFICIALLY OWNED |
|---|---------------------------|
| First Financial Corporation Employee Stock Ownership Plan ("ESOP") One First Financial Plaza Terre Haute, Indiana 47807 | 819,088(1) |
| T. Rigasco Trust Co-Trustees: National City Bank of Indiana One National City Center Indianapolis, Indiana 46255 Jack R. Snyder One American Square Indianapolis, Indiana 46282 | 960,458 |
| Princeton Mining Company State Road 46 South Terre Haute, Indiana 47803 | 1,314,714 |

(1) Represents shares held in Trust by the Corporation's subsidiary, First Financial Bank N.A.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities and Exchange Act of 1934 requires the Corporation's directors and executive officers, and persons who own more than ten percent of a registered class of the Corporation's equity securities, to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of Corporation common stock and other equity securities of the Corporation. Officers, directors and greater than ten percent shareholders are required by SEC regulations to furnish the Corporation with copies of all Section 16(a) forms they file. To the best knowledge of the Corporation, during the most recent fiscal year all officers, directors and greater than ten percent beneficial owners of the Corporation timely filed all statements of beneficial ownership required to be filed with the SEC.

10

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee appointed Crowe Chizek and Company LLC, as independent accountants to audit the books, records and accounts of the Corporation for 2005 and 2004. The Audit Committee anticipates that it will appoint an independent public accountant to audit the books, records, and accounts of the Corporation for 2006 in April, 2006. Representatives of Crowe Chizek are expected to be in attendance at the annual meeting and will be provided an opportunity to make a statement should they desire to do so and to respond to appropriate inquiries from the shareholders.

SHAREHOLDER COMMUNICATION WITH THE BOARD OF DIRECTORS

Any shareholder who desires to contact the Chairman of the Board of Directors or the other members of the Board of Directors, or who desires to make a recommendation of a director candidate for consideration by the

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Governance/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 or the other members of the Board by writing to: Chairman, First Financial Corporation, P.O. Box 540, Terre Haute, IN 47808. The Governance/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 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.

SHAREHOLDERS PROPOSALS

Any proposals which shareholders desire to present at the 2007 Annual Meeting must be received by the Corporation at its principal executive offices on or before November 15, 2006 to be considered for inclusion in the Corporation's proxy material for that meeting. The proxy rules of the Securities and Exchange Commission govern the content and form of stockholder proposals and the minimum stock holding requirement. All proposals must be a proper subject for action at the 2007 Annual Meeting. In addition, any proposal submitted for consideration at the 2007 Annual Meeting but not for inclusion in the Corporation's proxy material for that meeting must be received no later than January 29, 2007 or such proposal will be considered untimely.

If notice of any other shareholder proposal intended to be presented at the 2007 Annual Meeting is not received by the Corporation on or before February 6, 2007, the proxies will have discretionary authority to vote on the matter. All proposals and notifications should be addressed to the Secretary of the Corporation.

ANNUAL REPORT TO SHAREHOLDERS

The 2005 Annual Report to Shareholders, containing financial statements for the year ended December 31, 2005, and other information concerning the operations of the Corporation is enclosed herewith, but is not to be regarded as proxy soliciting material.

UPON WRITTEN REQUEST, THE CORPORATION WILL PROVIDE WITHOUT CHARGE TO EACH REQUESTING SHAREHOLDER, A COPY OF THE CORPORATION'S ANNUAL REPORT ON FORM 10-K, WHICH IS REQUIRED TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION FOR THE YEAR ENDED DECEMBER 31, 2005. ADDRESS ALL REQUESTS TO:

MICHAEL A. CARTY, SECRETARY & TREASURER
FIRST FINANCIAL CORPORATION
ONE FIRST FINANCIAL PLAZA o P.O. BOX 540 o TERRE HAUTE, INDIANA 47808

OTHER MATTERS

The Annual Meeting is called for the purposes set forth in the Notice. The Board of Directors of the Corporation does not know of any matters for action by shareholders at such Annual Meeting other than the matters described in the notice. However, the enclosed Proxy will confer discretionary authority with respect to matters which were not known to the Board of Directors at the time of the printing hereof and which may properly come before the Annual Meeting. It is the intention of the persons named in the Proxy to vote pursuant to the Proxy with respect to such matters in accordance with their best judgment.

By Order of the Board of Directors

/S/ Donald E. Smith

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DONALD E. SMITH
Chairman of the Board and President

FIRST FINANCIAL CORPORATION
ONE FIRST FINANCIAL PLAZA
P.O. BOX 540
TERRE HAUTE, INDIANA 47808

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints James E. Brown and Richard J. Shagley, or either of them as Proxies, each with the power to appoint his substitute, and hereby authorizes them to represent and to vote, as designated below, all shares of common stock of First Financial Corporation which the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at One First Financial Plaza, Terre Haute, Indiana on Wednesday, April 19, 2006, at 11:00 a.m. (local time), or any adjournment thereof, on the following matters:

1. ELECTION OF DIRECTORS

- A. For all nominees listed below for a three-year term to expire in 2009 (except as marked to the contrary below):

THOMAS T. DINKEL, NORMAN L. LOWERY, PATRICK O'LEARY

WITHHOLD AUTHORITY to vote for all nominees listed above.

- B. For the nominee listed below for a one-year term to expire in 2007 (except as marked to the contrary below):

RONALD K. RICH

WITHHOLD AUTHORITY to vote for the nominee listed above:

(INSTRUCTIONS: To withhold authority to vote for any individual, strike a line through the nominees' name in the list above.)

- 2. In their discretion, on such matters as may properly come before the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR IF NO DIRECTION IS INDICATED, WILL BE VOTED FOR ALL THE NOMINEES LISTED ABOVE.

Please sign exactly as name appears below. If there are two or more owners, both must sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Dated: _____, 2006

(Signature)

(Signature, if held jointly)

Your vote is important. Please mark, sign, and date and return this Proxy promptly, using the enclosed envelope.

