

FIRST MID ILLINOIS BANCSHARES INC
Form DEF 14A
March 15, 2013

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

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))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material pursuant to Rule 14a-12

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

(Name of Person(s) Filing Proxy Statement; if other than the Registrant)

Payment of filing fee (check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:
- Fee paid previously with preliminary materials.
-

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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:
-

March 15, 2013

Dear Fellow Stockholder:

On behalf of the Board of Directors and management of First Mid-Illinois Bancshares, Inc. (the "Company"), I cordially invite you to attend the Annual Meeting of Stockholders of First Mid-Illinois Bancshares, Inc. to be held at 4:00 p.m. on April 24, 2013, in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois.

Pursuant to the Securities and Exchange Commission's "notice and access" rules, on or about March 15, 2013, you received in the mail our Notice of Internet Availability of Proxy Materials (the "Notice"), which provided you with instructions on how to access on an Internet website this Proxy Statement, the Company's 2012 annual report to stockholders and the Company's Annual Report on Form 10-K for the recently completed fiscal year. Details regarding the business to be conducted at the meeting are described in the Notice and in this Proxy Statement.

At the meeting, we will report on Company operations and the outlook for the year ahead. Directors and officers of the Company, as well as a representative of BKD, LLP, the Company's independent auditors, will be present to respond to any appropriate questions stockholders may have.

The 2013 annual meeting of stockholders is being held for the following purposes:

1. The election of Benjamin I. Lumpkin and Ray Anthony Sparks as directors of the Company (Proposal 1); and
2. Such other matters as may properly come before the meeting or any adjournments thereof.

I encourage you to attend the meeting in person. Whether or not you plan to attend the meeting, please act promptly to vote your shares. You may vote your shares over the Internet or, if you receive or request to receive proxy materials, by mailing, completing, signing and dating a proxy card and returning it in the accompanying postage paid envelope provided. You may also vote your shares by telephone or by following the instructions set forth on the proxy card. Please review the instructions for each of your voting options described in the Notice you may have received in the mail and in this Proxy Statement. If you attend the meeting, you may vote your shares in person, even if you have previously submitted a proxy in writing, by telephone or through the Internet. Submitting a proxy will ensure that your shares are represented at the meeting. If you have any questions concerning these matters, please contact me at (217) 258-0415 or Lee Ann Perry, Manager of Shareholder Services, at (217) 258-0493. We look forward with pleasure to seeing and visiting with you at the meeting.

Very truly yours,

FIRST MID-ILLINOIS BANCSHARES, INC.
William S. Rowland
Chairman and Chief Executive Officer

1421 Charleston Avenue · P.O. Box 499 · Mattoon, IL 61938 · Phone: (217) 258-0493

PROXY STATEMENT

Annual Meeting of Stockholders
To Be Held April 24, 2013

First Mid-Illinois Bancshares, Inc.
1421 Charleston Avenue, P.O. Box 499
Mattoon, Illinois 61938
(217) 258-0493

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of First Mid-Illinois Bancshares, Inc. (the "Company") to be voted at the Annual Meeting of Stockholders to be held in the lobby of First Mid-Illinois Bank & Trust, 1515 Charleston Avenue, Mattoon, Illinois, on Wednesday, April 24, 2013 at 4:00 p.m. local time. The Board of Directors would like to have all stockholders represented at the meeting.

Whether or not you plan to attend the Annual Meeting of Stockholders, we encourage you to read this Proxy Statement and submit your proxy as soon as possible. For specific instructions on how to vote your shares, please refer to the instructions on the Notice of Internet Availability of Proxy Materials you may have received in the mail and if you receive or request to receive printed proxy materials, the proxy card. The Company's annual report to stockholders and its Annual Report on Form 10-K for the recently completed fiscal year, which includes the consolidated financial statements of the Company, have been made available with this Proxy Statement.

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

Only holders of record of the Company's Common Stock at the close of business on March 1, 2013 (the "Record Date") will be entitled to vote at the annual meeting or any adjournments or postponements of such meeting. On the Record Date, the Company had 5,949,754 shares of Common Stock issued and outstanding. In the election of directors, and for any other matters to be voted upon at the annual meeting, each issued and outstanding share of Common Stock is entitled to one vote.

You may revoke your proxy at any time before it is voted. Unless so revoked, the shares represented by such proxies will be voted at the annual meeting and all adjournments thereof. You may revoke your proxy at any time before it is voted by delivering written notice of revocation to the Secretary of the Company at 1421 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938, by executing and delivering a subsequently dated proxy, or by attending the annual meeting and voting in person. Proxies solicited by the Board of Directors of the Company will be voted in accordance with the directions given therein. Where no instructions are indicated, proxies will be voted in accordance with the recommendations of the Board of Directors with respect to the proposals described herein.

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

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

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The following table sets forth, as of February 1, 2013, the number of shares of Common Stock beneficially owned by each person known by the Company to be the beneficial owner of more than five percent of the outstanding shares of Common Stock (who are not also directors), each director nominee of the Company, each director, the "named executive officers" (as defined below) and all director nominees, directors and executive officers of the Company as a group. For certain individuals listed below, the number of shares of Common Stock beneficially owned includes the shares of Common Stock into which such individuals may convert their shares of the Company's Series B 9% Non-Cumulative Perpetual Convertible Preferred Stock (the "Series B Preferred Stock") and Series C 8% Non-Cumulative Perpetual Convertible Preferred Stock (the "Series C Preferred Stock"). The Series B Preferred Stock and Series C Preferred Stock are non-voting stock except with respect to certain fundamental changes in the terms of the stock and with respect to certain matters following the Company's failure to pay dividends on the stock during four dividend payment periods. Please refer to the footnotes of the following table, and the "Certain Relationships and Related Transactions" section of this Proxy Statement for details.

Name and Address of Beneficial Owner (1)	Title of Class	Amount and Nature of Beneficial Ownership (2)	Percentage of Class Outstanding	Percentage of Voting Power
Principal Stockholders:				
David R. Hodgman	Common	396,192	(3) 6.6	%(18) 8.6
c/o Schiff Hardin LLP	Series B Preferred	540	(3) 11.0	%
233 S. Wacker Dr., Suite 6600	Series C Preferred	—	—	%
Chicago, Illinois 60606				
Richard Anthony Lumpkin	Common	524,324	(4) 8.8	%(18) 10.7
121 South 17th Street	Series B Preferred	280	(4) 5.7	%
Mattoon, Illinois 61938	Series C Preferred	230	(4) 4.2	%
Elizabeth L. Celio	Common	277,461	(5) 4.7	%(18) 7.1
c/o SKL Investment Group, LLC	Series B Preferred	110	(5) 2.2	%
121 South 17th Street	Series C Preferred	500	(5) 9.1	%
Mattoon, IL 61938				

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Director Nominees, Directors and Named Executive Officers:

Charles A. Adams	Common	492,101	(6)	8.2	%(18)	10.1	%(20)
1020 North 13th Street	Series B Preferred	200	(6)	4.1	%		
Mattoon, Illinois 61938	Series C Preferred	300	(6)	5.5	%		

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Name and Address of Beneficial Owner (1)	Title of Class	Amount and Nature of Beneficial Ownership (2)	Percentage of Class Outstanding	Percentage of Voting Power
Director Nominees, Directors and Named Executive Officers (continued):				
Holly A. Bailey	Common	23,920	(7) *%	(18) 1.7 % (20)
	Series B Preferred	200	(7) 4.1	%
	Series C Preferred	125	(7) 2.3	%
Joseph R. Dively	Common	21,893	(8) *%	(18) * % (20)
	Series B Preferred	40	(8) *%	
	Series C Preferred	20	(8) *%	
Steven L. Grissom 121 South 17th Street Mattoon, Illinois 61938	Common	450,972	(9) 7.6	%(18) 9.7 % (20)
	Series B Preferred	620	(9) 12.6	%
	Series C Preferred	—	(9) —	%
Benjamin I. Lumpkin 121 South 17th Street Mattoon, IL 61938	Common	285,416	(10) 4.8	%(18) 7.2 % (20)
	Series B Preferred	150	(10) 3.0	%
	Series C Preferred	500	(10) 9.1	%
Gary W. Melvin 1134 CR 1650 E Sullivan, IL 61951	Common	364,161	(11) 6.1	%(18) 8.6 % (20)
	Series B Preferred	200	(11) 4.1	%
	Series C Preferred	489	(11) 8.9	%
William S. Rowland	Common	86,311	(12) 1.4	%(18) 1.7 % (20)
	Series B Preferred	50	(12) 1.0	%
	Series C Preferred	20	(12) *%	
Ray Anthony Sparks 30 South Country Club Road Mattoon, IL 61938	Common	235,170	(13) 3.9	%(18) 6.5 % (20)
	Series B Preferred	470	(13) 9.5	%
	Series C Preferred	230	(13) 4.2	%
Michael L. Taylor	Common	19,578	(14) *%	(18) * % (20)
	Series B Preferred	4	(14) *%	
	Series C Preferred	4	(14) *%	
John W. Hedges	Common	36,504	(15) *%	(18) * % (20)
	Series B Preferred	10	(15) *%	
	Series C Preferred	5	(15) *%	
Eric S. McRae	Common	16,112	(16) *%	(18) * % (20)
	Series B Preferred	15	(16) *%	
	Series C Preferred	2	(16) *%	
All director nominees, directors, named executive officers and other executive officers as a group (15 persons)	Common	2,059,554	(17) 34.5	%(19) 42.2 % (21)
	Series B Preferred	1,966	(17) 39.9	%
	Series C Preferred	1,695	(17) 30.8	%

(1) Addresses are provided for those beneficial owners owning more than 5% of the Company's Common Stock.

Unless otherwise indicated, the nature of beneficial ownership for shares shown in this column is sole voting and (2) investment power. The information contained in this column is based upon information furnished to the Company by the persons named above.

The above Common Stock amount includes 198,096 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 198,096 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990, over which Mr. Hodgman has shared voting and investment power. The above Series B Preferred Stock (3) amount includes 250 shares of Series B Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, and 290 shares of Series B Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Hodgman, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing shares held by these trusts.

The above Common Stock amount includes 46,159 shares held by Mr. Richard Lumpkin individually; 316,947 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin, under which Mr. Richard Lumpkin has sole voting and investment power; and 604 shares held by the Richard Adamson Lumpkin Trust dated November 5, 1976 for the benefit of Richard Anthony Lumpkin, under which Mr. Richard Lumpkin has sole voting and investment power; 112,467 shares held by The Lumpkin Family Foundation, of which Mr. Richard Lumpkin serves as Treasurer and has shared voting and investment power, and of which beneficial ownership is disclaimed and 3,624 shares held by the John W. Sparks Living Trust, of which Mr. Richard Lumpkin has shared voting and investment power, and of which beneficial ownership is disclaimed. The above Common Stock also includes: 12,552 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Mary Lee Sparks; 605 shares held by the Richard Adamson Lumpkin Trust dated November 5, 1976 for the benefit of Mary Lee Sparks; 24,888 shares held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Margaret Keon; 604 shares held by the Richard Adamson Lumpkin Trust dated November 5, 1976 for the benefit of Margaret Keon and 5,874 shares held by the John W. Sparks 2001 (4) Irrevocable Trust, all under which Mr. Richard Lumpkin has sole voting and investment power, and of which beneficial ownership is disclaimed. The above Series B Preferred Stock amount includes 100 shares of Series B Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Richard Anthony Lumpkin; 100 shares of Series B Preferred Stock held by The Lumpkin Family Foundation and of which beneficial ownership is disclaimed; and 80 shares of Series B Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Margaret Keon, of which Mr. Richard Lumpkin has sole voting and investment power and of which beneficial ownership is disclaimed. The above Series C Preferred Stock amount includes 100 shares of Series C Preferred Stock held by The Lumpkin Family Foundation and of which beneficial ownership is disclaimed; 50 shares of Series C Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Mary Lee Sparks, of which Mr. Richard Lumpkin has sole voting and investment power and of which beneficial ownership is disclaimed and 80 shares of Series C Preferred Stock held by the Richard Adamson Lumpkin Trust dated February 6, 1970 for the benefit of Margaret Keon, of which Mr. Richard Lumpkin has sole voting and investment power and of which beneficial ownership is disclaimed.

The above Common Stock amount includes 277,461 shares held by Ms. Elizabeth Celio individually. The above Series B Preferred Stock amount includes 110 shares of Series B Preferred Stock held by Ms. Celio individually. (5) The above Series C Preferred Stock amount includes 500 shares of Series C Preferred Stock held by Ms. Celio individually. Ms. Celio is also the beneficiary of the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990 which holds 198,096 Common Stock shares and 290 shares of Series B Preferred Stock. Ms. Celio does not have beneficial ownership of the shares held by this trust.

The above Common Stock amount includes 134,114 shares held by Mr. Adams individually; 276,146 shares of Common Stock held by a corporation which Mr. Adams is deemed to control; 19,000 shares held by the Howell-Adams Foundation over which Mr. Adams has shared voting and investment power; 59,466 shares held for (6) the account of Mr. Adams under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of Common Stock. The above Series B Preferred Stock amount includes 200 shares of Series B Preferred Stock held by Mr. Adams individually. The above Series C Preferred Stock amount includes 300 shares of Series C Preferred Stock held by Mr. Adams individually.

The above Common Stock amount includes 23,920 shares held by Ms. Bailey individually. The above Series B Preferred Stock amount includes 200 shares of Series B Preferred Stock held by Ms. Bailey individually. The (7) above Series C Preferred Stock amount includes 125 shares of Series C Preferred Stock held by Ms. Bailey individually.

The above amount includes 8,862 shares held by Mr. Dively individually; 9,656 shares held for the account of Mr. Dively under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of Common Stock.

(8) The above Series B Preferred Stock amount includes 40 shares of Series B Preferred Stock held by Mr. Dively individually. The above Series C Preferred Stock amount includes 20 shares of Series C Preferred Stock held by Mr. Dively individually.

The above Common Stock amount includes 36,179 shares held by Mr. Grissom individually; 9,213 shares held jointly with his spouse; 2,337 shares held for the account of Mr. Grissom under the Company's Deferred Compensation Plan; and options to purchase 6,750 shares of Common Stock. The above Common Stock amount also includes 198,096 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990, 198,096 shares held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990 and 300 shares held by the

(9) Mary Lee Sparks Trust dated May 13, 1978, over which Mr. Grissom has shared voting and investment power. The above Series B Preferred Stock amount includes 80 shares of Series B Preferred Stock held by Mr. Grissom jointly with his spouse; 250 shares of Series B Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990; and 290 shares of Series B Preferred Stock held by the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Elizabeth Lumpkin Celio dated April 20, 1990. Mr. Grissom, who serves as co-trustee of the aforementioned trusts, disclaims beneficial ownership of the foregoing shares held by these trusts.

The above Common Stock amount includes 285,416 shares held by Mr. Benjamin Lumpkin individually. The above Series B Preferred Stock amount includes 150 shares of Series B Preferred Stock held by Mr. Benjamin Lumpkin individually and the above Series C Preferred Stock amount includes 500 shares of Series C Preferred

(10) Stock held by Mr. Benjamin Lumpkin individually. Mr. Benjamin Lumpkin is also the beneficiary of the Richard Anthony Lumpkin 1990 Personal Income Trust for the benefit of Benjamin Iverson Lumpkin dated April 20, 1990 which holds 198,096 Common Stock shares and 250 shares of Series B Preferred Stock. Mr. Benjamin Lumpkin does not have beneficial ownership of the shares held by this trust.

The above Common Stock amount includes 319,483 shares held by Mr. Melvin individually; 41,303 shares held for the account of Mr. Melvin under the Company's Deferred Compensation Plan; and options to purchase 3,375

(11) shares of Common Stock. The above Series B Preferred Stock amount includes 200 shares of Series B Preferred Stock held jointly by Mr. Melvin and his spouse. The above Series C Preferred Stock amount includes 489 shares of Series C Preferred Stock held by Mr. Melvin individually.

The above Common Stock amount includes 18,154 shares held by Mr. Rowland individually; 24,844 shares for the account of Mr. Rowland under an Individual Retirement Account; 9,374 shares held for the account of Mr. Rowland under the Company's 401(k) Plan; 6,940 shares held for the account of Mr.

(12) Rowland under the Company's Deferred Compensation Plan; and options to purchase 27,000 shares of Common Stock. The above Series B Preferred Stock amount includes 50 shares of Series B Preferred Stock held jointly by Mr. Rowland and his spouse. The above Series C Preferred Stock amount includes 20 shares of Series C Preferred Stock held jointly by Mr. Rowland and his spouse.

(13) The above Common Stock amount includes 123,732 held by Mr. Sparks individually; 66,523 shares held by Sparks Investment Group, LP, and 18,880 shares held by the Sparks Foundation over which Mr. Sparks shares voting and investment power; 1,822 shares by Mr. Sparks' child, over which Mr. Sparks has shared voting and investment power; 20,837 shares held for the account of Mr. Sparks under the Company's Deferred Compensation Plan; and options to purchase 3,375 shares of Common Stock. The above Series B Preferred Stock amount includes 370 shares of Series B Preferred Stock held by Mr. Sparks individually and 100 shares of Series B Preferred Stock held by Sparks Investment Group, LP. The above Series C Preferred Stock amount includes 220

shares of Series C Preferred Stock held by Mr. Sparks individually, and 10 shares of Series C Preferred Stock held by Sparks Investment Group, LP.

The above Common Stock amount includes 858 shares held by Mr. Taylor individually; 3,095 shares held for the account of Mr. Taylor under the Company's 401(k) Plan and options to purchase 15,625 shares of Common Stock.

(14) The above Series B Preferred Stock amount includes 4 shares of Series B Preferred Stock held by Mr. Taylor individually. The above Series C Preferred Stock amount includes 4 shares of Series C Preferred Stock held by Mr. Taylor individually.

(15) The above Common Stock amount includes 8,363 shares held by Mr. Hedges individually and 337 shares held jointly with his spouse; 1,509 shares held for the account of Mr. Hedges under the Company's 401(k) Plan; 6,169 shares held for the account of Mr. Hedges under the Company's Deferred Compensation Plan; and options to purchase 20,125 shares of Common Stock. The above Series B Preferred Stock amount includes 5 shares of Series B Preferred Stock held by Mr. Hedges individually, and 5 shares of Series B Preferred Stock held jointly by Mr. Hedges and his spouse. The above Series C Preferred Stock amount includes 5 shares of Series C Preferred Stock held by Mr. Hedges individually.

(16) The above Common Stock amount includes 1,497 shares held by Mr. McRae individually; 524 shares for the account of Mr. McRae under an Individual Retirement Account; 2,450 shares held for the account of Mr. McRae under the Company's 401(k) Plan; 891 shares held for the account of Mr. McRae under the Company's Deferred Compensation Plan; and options to purchase 10,750 shares of Common Stock. The above Series B Preferred Stock amount includes 15 shares of Series B Preferred Stock held by Mr. McRae individually. The above Series C Preferred Stock amount includes 2 shares of Series C Preferred Stock held by Mr. McRae individually.

(17) The above amounts include additional shares for four executive officers not included in above table. The above Common Stock amount includes an aggregate of 114,000 shares obtainable upon the exercise of options.

(18) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options which are exercisable within 60 days by each individual.

(19) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options which are exercisable within 60 days by all director nominees, directors, named executive officers and other executive officers.

(20) Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options by such individual which are exercisable within 60 days, and the conversion of Series B Preferred Stock and Series C Preferred Stock held by such individual. Each share of Series B Preferred Stock is convertible into approximately 231.27 shares of Common Stock, and each share of Series C Preferred Stock is convertible into approximately 246.43 shares of Common Stock.

(21) Percentage is calculated on a partially diluted basis, assuming the exercise of all stock options which are exercisable within 60 days by all director nominees, directors, named executive officers and other executive officers; the conversion of 454,665 shares obtainable through the conversion of 1,966 shares of Series B Preferred Stock held by such individuals; and the conversion of 417,689 shares obtainable through the conversion of 1,695 shares of Series C Preferred Stock held by such individuals.

* Less than 1%

As of February 1, 2013, the Bank acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which own or hold 179,663 shares or 3.0% of the outstanding Common Stock of the Company, over which the Bank has sole voting and investment power with respect to 160,898 shares, or 2.7% of the outstanding Common Stock and shared voting and investment power with respect to 18,765 shares or 0.3% of the outstanding Common Stock.

PROPOSAL I - ELECTION OF DIRECTORS

The directors of the Company are divided into Classes I, II and III having staggered terms of three years. For this year's annual stockholders meeting, the Board of Directors has nominated for election as Class III directors, for a term expiring in 2016, Benjamin I. Lumpkin and Ray Anthony Sparks. Because Charles A. Adams is retiring from the Board of Directors at the annual meeting, he was not nominated as a Class III director. Messrs. Lumpkin and Sparks have served as directors of the Company since 2009 and 1994, respectively. The two individuals receiving the highest number of votes cast will be elected as directors of the Company and will serve as Class III directors for a three-year term. Broker non-votes, because they are not considered votes cast, will not be counted in the vote totals. The Company has no knowledge that any of the nominees will refuse or be unable to serve, but if any of the nominees becomes unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting. Following Mr. Adam's retirement, the number of directors will be seven, comprised of two Class I directors, three Class II directors, and two Class III directors.

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

Name	Age at March 15, 2013	Principal Occupation	Year First Became Director	Year Term Expires
DIRECTOR NOMINEES				
Benjamin I. Lumpkin	40	Owner of Big Toe Press, LLC, a video content production company (since 2004); Member of the finance committee of SKL Investment Group, LLC, a private investment company (since 2000); Director of the Bank and of the Company (since 2009); Director of Data Services (since 2009); Director of Insurance Group (since 2009).	2009	2013
Ray Anthony Sparks	56	Private investor (since 1997); former President of Elasco Agency Sales, Inc. and Electric Laboratories and Sales Corporation, a distributor of electrical supplies (until 1997); Director of the Bank (since 1997) and of the Company (since 1994); Director of Data Services (since 1996); Director of Insurance Group (since 2002); Chief Executive Director (since 2012) and Executive Director (from 2009-2012), Mattoon Area Family YMCA.	1994	2013

The Board of Directors recommends a vote "FOR" the election of Directors Lumpkin and Sparks for a term of three years.

Name	Age at March 15, 2013	Principal Occupation	Year First Became Director	Year Term Expires
DIRECTORS CONTINUING IN OFFICE				
Holly A. Bailey	42	President of Howell Asphalt Company and Executive Vice President of Howell Paving, Inc., a road construction company (since 2008); Vice President of Howell Asphalt Company and Vice President of Howell Paving (1997- 2008).	2012	2015
Joseph R. Dively	53	Senior Executive Vice President of the Company (since May 2011); President of the Bank (since May 2011); Senior Vice President of Consolidated Communications Holdings, Inc., a telecommunications holding company (2003-2011), and President of Illinois Telephone Operations, a local telecommunications provider (until 2008); Director of the Bank and the Company (since 2004); Director of Data Services (since 2009); Director of Insurance Group (since 2009).	2004	2015
Steven L. Grissom	60	Administrative Officer of SKL Investment Group, LLC, a private investment company (since 1997); Director of the Bank and the Company (since 2000); Director of Data Services (since 2009); Director of Insurance Group (since 2009); Treasurer and Secretary of Consolidated Communications Holdings, Inc., and its predecessors, a telecommunications holding company (2003-2006); Treasurer of Illinois Consolidated Telephone Company, a local telecommunications provider (until 2006); Secretary of Illinois Consolidated Telephone Company, a local telecommunications provider (2003-2006).	2000	2014
Gary W. Melvin	64	President and Co-Owner, Rural King Farm & Home Supplies stores, a retail farm and home supply store chain (since 1979); Director of the Bank (since 1984) and of the Company (since 1990); Director of Data Services (since 1987); Director of Insurance Group (since 2009).	1990	2014
William S. Rowland	66	Chairman, President, Chief Executive Officer of the Company (since 1999); Director of the Company (since 1991); Executive Vice President (1997-1999), Treasurer and Chief Financial Officer (1989-1999) of the Company; Director of Data Services (since 1989);	1991	2015

Director (since 1999), Chairman (since 1999), and Executive Vice President (1989-1999) of the Bank; Director of Insurance Group (since 2002).

RETIRING DIRECTOR

Charles A. Adams	71	President, Howell Paving, Inc., (since 1983); Director of the Bank (since 1989) and of the Company (since 1984); Director of Data Services (since 1987); Director of Insurance Group (since 2002).	1984	2013
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CORPORATE GOVERNANCE MATTERS

BOARD OF DIRECTORS

The Board of Directors concluded that except for Mr. Rowland and Mr. Dively, the members of the Board of Directors satisfy the independence requirements of the New York Stock Exchange. Although the Company's Common Stock and Preferred Stock are not listed on the New York Stock Exchange, the Company has elected to use its independence standards when determining the independence of the members of its Board of Directors. The Board of Directors has established an audit committee and a compensation committee. The Board of Directors has concluded that all current members of the audit committee satisfy the independence requirements of the New York Stock Exchange, as required by the charter of the audit committee. The Board of Directors has also concluded that all current members of the compensation committee satisfy the independence requirements of the New York Stock Exchange. The Board of Directors has also created other company-wide committees composed of officers of the Company and its subsidiaries.

A total of 12 regularly scheduled and special meetings were held by the Board of Directors during 2012. During 2012, all directors attended at least 75 percent of the meetings of the Board of Directors and the committees on which they served. All directors attended the 2012 Annual Meeting of Stockholders.

BOARD OF DIRECTOR QUALIFICATIONS

The Board of Directors seeks to be composed of a diverse group of persons with a variety of experience, qualifications, attributes and skills that enable it to meet the governance needs of the Company. The Board of Directors consists of a group of individuals which have a mix of skills and knowledge in the areas of banking, finance, accounting and business. All members of the Board of Directors have an understanding of finance and accounting, are able to understand fundamental financial statements and generally accepted accounting principles and their application to the accounting of the Company. In addition, members of the Board of Directors are active in, and knowledgeable about, the local communities in which the Company operates. A number of the members of the Company's Board of Directors are also among the largest of the Company's shareholders.

Following is a description of each director's specific experience and qualifications that led the Board of Directors to conclude that the person should serve as a director for the Company.

Charles A. Adams has served as a director of the Company since 1984. Mr. Adams has a bachelor's degree in Economics from DePauw University and is the President and majority owner of his own company, Howell Paving, Inc., a road construction company (since 1983) which consists of the main entity as well as multiple subsidiaries. Through his entrepreneurial experiences within the communities served by the Company, Mr. Adams provides the Board of Directors with a strong and experienced perspective on local businesses. Mr. Adams is the father of Holly A. Bailey. Mr. Adams is retiring from the Board of Directors at the annual meeting.

Holly A. Bailey has served as a director of the Company since 2012. Ms. Bailey has a bachelor's degree in Economics from DePauw University and an MBA degree from Texas Christian University. She is the President of Howell Asphalt Company, Wabash Asphalt Company, Inc., General Contractors and Prosser Company, which are subsidiaries of Howell Paving, Inc., of which she is Executive Vice President (since 2008). She served as Vice President of Howell Asphalt Company and Vice President of Howell Paving from 1997 until 2008. Her leadership experience and the business knowledge gained in her work with these companies and her experiences within the communities served by the Company assist the Board of Directors in various areas of its oversight. Ms. Bailey is the daughter of Charles A. Adams, who is retiring from the Board of Directors at the annual meeting.

Joseph R. Dively has served as a director of the Company since 2004. Mr. Dively has a bachelor's degree in Business from Eastern Illinois University and has also completed a "Finance for Executives" program through the graduate school of business at the University of Chicago. Mr. Dively has held a variety of management positions in diverse business units which included financial statement responsibilities since 1991. He has served as Senior Executive Vice President of the Company and President of the Bank since May 2011. Prior to employment with the Company, Mr. Dively was Senior Vice President of Consolidated Communications Holdings, Inc., a publicly traded telecommunications holding company headquartered in Mattoon, Illinois. Mr. Dively has also served on the boards of directors of several other companies and organizations where his duties included working with investors, executive teams and other board members. Mr. Dively's current and previous experiences also assist

the Board of Directors in dealing with issues related to the Company's local communities and the Board of Directors also benefits from his perspective serving as a former executive officer of a publicly traded company.

Steven L. Grissom has served as a director of the Company since 2000 and has been determined by the Board of Directors to be an audit committee financial expert. Mr. Grissom has a bachelor's degree in Business with an Accounting major from Eastern Illinois University, and has passed the Certified Public Accountant ("CPA") and Personal Financial Specialist ("PFS") exams. He was employed by a regional CPA firm from 1974 to 1981 where his experience included review of internal control procedures and analysis of major financial transactions including evaluation of appropriate accounting treatment under generally accepted accounting principles. From 1981 to 2005, Mr. Grissom held various positions at Illinois Consolidated Telephone Company which included tax and treasury responsibilities. Mr. Grissom is currently the Administrative Officer of SKL Investment Group, LLC, a private investment company where his responsibilities include tax and accounting functions and evaluation of financial statements for various investment opportunities. These skills serve the Board of Directors in its assessment of complex financial and investment matters.

Benjamin I. Lumpkin has served as a director of the Company since 2009. Mr. Lumpkin has a bachelor's degree in History from Yale University and a Master's degree in Journalism from Northwestern University. He is the owner of Big Toe Press, LLC, a video content production company (since 2004). Mr. Lumpkin is a member of the finance committee of SKL Investment Group, LLC, a private investment company, and a trustee (since 2009), Vice President and chairman of the investment committee (since 2012) of the Lumpkin Family Foundation, a 501(c)(3) organization, where his experience includes reviewing financial statements and other financial data. These experiences assist the Board of Directors in various aspects of its work. Also, by virtue of the significant stock ownership in the Company by Mr. Lumpkin and members of his immediate and extended family, Mr. Lumpkin represents a strong voice for stockholders in the Board of Directors' deliberations.

Gary W. Melvin has served as a director of the Company since 1990. Mr. Melvin has a bachelor's degree in Economics from Western Illinois University and for the past thirty years has been the president and majority owner of Rural King Farm & Home Supplies, Inc., a retail farm and home supply store chain where he is actively involved with management in all aspects of the business. Mr. Melvin's ownership and leadership role in an important local and regional retailer provides the Board of Directors with a knowledgeable and skilled local business outlook.

William S. Rowland has served as a director of the Company since 1991. Mr. Rowland has a bachelor's degree in Accounting from St. Ambrose University. He currently serves as Chairman of the Board of Directors and Chief Executive Officer of the Company (since 1999). He was previously Treasurer and Chief Financial Officer of the Company (1989-1999). Prior to employment with the Company, Mr. Rowland was a CPA with the accounting firm KPMG, LLP. Mr. Rowland is and has been a member of several community boards, as well as the Illinois Bankers Association. As President and Chief Executive Officer of the Company, Mr. Rowland brings to the Board of Directors his substantial institutional knowledge regarding the Company, including its operations and strategies.

Ray Anthony Sparks has served as a director of the Company since 1994. Mr. Sparks has a bachelor's degree in Business Administration with an accounting major from Millikin University and an MBA degree from Eastern Illinois University. He is the Chief Executive Officer of the Mattoon Area Family YMCA (since 2009) and a private investor (since 1997). He was President of Elasco Agency Sales, Inc. and Electric Laboratories and Sales Corporation, a distributor of electrical supplies until 1997. He has also served as a director and officer for various not-for-profit organizations in the community. Mr. Sparks has been a user of financial statements in these positions and has experience dealing with CPAs, investment bankers and attorneys. These experiences and his strong financial background assist the Board of Directors in all areas of its oversight.

BOARD OF DIRECTORS LEADERSHIP

Mr. William S. Rowland serves as President and Chief Executive Officer and Chairman of the Board of Directors of the Company. The Board of Directors believes that this allows Mr. Rowland to have multiple perspectives about the Company and its operations while optimizing the ability of the Board of Directors members to communicate with Company management. Also, because the members of the Board of Directors other than Mr. Rowland and Mr. Dively are independent, the knowledge of the Company that Mr. Rowland brings to the Board of Directors helps to enhance the Board of Directors' leadership of the Company. The Board of Directors does not have a lead independent director.

BOARD OF DIRECTORS ROLE IN RISK OVERSIGHT

The Board of Directors oversees the risk management of the Company through its committees, management committees and the Chief Executive Officer. The Board of Director's Audit Committee monitors risks related to (1) the effectiveness of the Company's disclosure controls and internal controls over financial reporting, (2) the integrity of its Consolidated Financial Statements and (3) compliance with laws and regulations, (4) risks and exposures relating to financial reporting, particularly disclosure and SEC reporting, (5) internal and independent auditors and (6) tax, investment, credit and liquidity matters. In addition, the Audit Committee oversees the internal audit function and communicates with the independent registered public accountant. The compensation committee is also involved in risk management through its review of risks in the Company's compensation policies and practices for employees. The Board of Directors' recognition of the importance of risk management oversight and their role in representing the interests of stockholders is enhanced as a result of the Board of Directors members' collective beneficial ownership of 41% of the outstanding shares of Common Stock of the Company.

At its monthly meetings, the Board of Directors receives the minutes from each management committee meeting as well as, various reports from key senior management, including the senior Risk Management officer. The Board of Directors reviews and discusses these reports with each of the senior managers. The Board of Directors reviews the status of all classified assets and trends in loan delinquency, and reviews the allowance for loan losses each quarter. In addition, three members of the Board of Directors serve on the Senior Loan Committee each for a term of two years. The Senior Loan Committee approves all loan underwriting decisions in excess of \$2 million and up to 75% of the legal lending limit which was \$21.1 million at December 31, 2012. The Board of Directors approves all underwriting decisions in excess of 75% of the legal lending limit.

The Board of Directors also reviews the policies and practices of the Company on a regular basis. In addition, the Board of Directors reviews corporate strategies and objectives, evaluates business performance and reviews the annual business plan.

NOMINATIONS FOR DIRECTOR

The Company does not maintain a standing nominating committee and does not have any policies regarding diversity when identifying director nominees, however, the Company believes the diverse backgrounds and perspectives of its current directors, as described above under "Board of Director Qualifications," are appropriate to the oversight of the Company's management team and performance. The entire Board of Directors performs the functions of a nominating committee, and considers and acts on all matters relating to the nomination of individuals for election as directors. The Board of Directors does not believe it needs a separate nominating committee because the Board of Directors has the time and resources to perform the function of selecting director nominees. Also, all but two of the directors satisfy the independence requirements of the New York Stock Exchange. The Board of Directors acts in accordance with the Company's Certificate of Incorporation when it performs its nominating function.

In the consideration of director nominees, the Board of Directors considers, at a minimum, the following factors for new directors, or the continued service of existing directors: (1) the ability of the prospective nominee to represent the interests of the stockholders of the Company; (2) the prospective nominee's standards of integrity, commitment and independence of thought and judgment; (3) the prospective nominee's ability to dedicate sufficient time, energy and attention to the diligent performance of his or her duties; (4) the extent to which the prospective nominee contributes to the diversity of talent, skill and expertise appropriate for the Board of Directors; and (5) the prospective nominee's contributions to the Board of Directors as a whole.

Any stockholder who wishes to recommend a director candidate for consideration by the Board of Directors should submit such recommendation in writing to the Board of Directors at the address set forth below under “Communications with Directors.” A candidate recommended for consideration must be highly qualified and must be willing and able to serve as director. Director candidates recommended by stockholders will receive the same consideration given to other candidates and will be evaluated against the criteria above.

NOTICE PROVISIONS FOR STOCKHOLDER NOMINATIONS OF DIRECTORS

Any stockholder wishing to nominate an individual for election as a director at the Annual Meeting must comply with certain provisions in the Company's Certificate of Incorporation. The Company's Certificate of Incorporation establishes an advance notice procedure with regard to the nomination, other than by or at the direction of the Board of Directors, of candidates for election as directors. If the notice is not timely and in proper form, the proposed nomination will not be considered at the Annual Meeting. Generally, such notice must be delivered to or mailed to and received by the Secretary of the Company not fewer than 14 days or more than 60 days before a meeting at which directors are to be elected. To be in proper form, each written nomination must set forth: (1) the name, age business address and, if known, the residence address of the nominee, (2) the principal occupation or employment of the nominee for the past five years, and (3) the number of shares of stock of the Company beneficially owned by the nominee and by the nominating stockholder. The stockholder must also comply with certain other provisions set forth in the Company's Certificate of Incorporation relating to the nomination of an individual for election as a director. For a copy of the Company's Certificate of Incorporation, which includes the provisions relating to the nomination of an individual for election as a director, an interested stockholder should contact the Secretary of the Company at 1421 Charleston Avenue, P.O. Box 499, Mattoon, Illinois 61938.

AUDIT COMMITTEE

The members of the audit committee of the Company during the fiscal year ended December 31, 2012 were Messrs. Adams, Grissom, Lumpkin, Melvin and Sparks, and Mss. Bailey (commencing in April 2012 when she was elected to the Board of Directors) and Preston (until April 2012 when she retired from the Board of Directors). The audit committee met 5 times in 2012. The audit committee assists the Board of Directors with the review of the Company's financial statements and the Company's compliance with applicable legal and regulatory requirements. Additionally, the audit committee appoints, and is directly responsible for the oversight of, the independent auditor, pre-approves all services performed for the Company by the independent auditor and oversees the Company's internal audit function. The audit committee may also retain independent legal, accounting or other advisors as it may deem necessary in order to carry out its duties.

The Board of Directors determined that each member of the audit committee satisfies the independence requirements of the New York Stock Exchange and the Federal Deposit Insurance Act. The Securities and Exchange Commission requires that boards of directors determine whether any audit committee member qualifies as an "audit committee financial expert." The Board of Directors determined that Steven L. Grissom is an audit committee financial expert.

The audit committee acts pursuant to a written charter that was reviewed and reassessed for adequacy and reaffirmed by the Board of Directors on January 22, 2013. A copy of the audit committee charter may be found on the Company's website at www.firstmid.com. The audit committee will continue to review and reassess the charter from time to time but not less than annually.

COMPENSATION COMMITTEE

The members of the compensation committee of the Company during the fiscal year ended December 31, 2012 were Messrs. Adams, Grissom, Lumpkin, Melvin and Sparks, and Mss. Bailey (commencing in April 2012 when she was elected to the Board of Directors) and Preston (until April 2012 when she retired from the Board of Directors). The compensation committee does not have a charter. The compensation committee met 2 times in 2012. The compensation committee reports to the Board of Directors and has responsibility for all matters related to compensation of executive officers of the Company, including reviewing and approving base salaries and annual

bonuses, conducting a review of executive officers' salary, incentive compensation, retirement benefits and fringe benefits compared to other financial services companies in the region, and using its best judgment in determining that total executive compensation reflects the Company's mission, strategy and performance.

Additionally, the Board of Directors, or if the Board of Directors so delegates, a sub-committee of the compensation committee, has responsibility for administering the stock incentive plans of the Company. For information about the role of the compensation committee with respect to executive compensation, see the "Compensation Discussion and Analysis" section of this proxy statement.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the fiscal year ended December 31, 2012, Messrs. Hedges and Sparks served as directors, and Mr. Grissom served as President and director, of Mattoon Area Industrial Development Corporation, a not-for-profit industrial development corporation; Mr. Rowland served as director and Mr. Grissom served as director and compensation committee member of Coles Together, an economic development not-for-profit; and Mr. Sparks served as Chief Executive Officer and Mr. Hedges and Ms. Bailey served as board members of the Mattoon Area Family YMCA. See also "Certain Relationships and Related Transactions."

COMMUNICATIONS WITH DIRECTORS

Any stockholder or other interested person may communicate with any director by sending written correspondence addressed to such director in care of the Secretary of the Company at First Mid-Illinois Bancshares, Inc., 1421 Charleston Avenue, Mattoon, Illinois 61938. The Secretary or the designee thereof will forward such correspondence to the relevant director.

The Company expects directors to attend the annual meeting, absent scheduling or other similar conflicts. All of the then current directors attended the Company's 2012 Annual Meeting of Stockholders.

SECTION 16 - BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely upon its review of reports on Forms 3, 4 and 5 and any amendments furnished to the Company under Section 16 of the Securities Exchange Act of 1934, and written representations from the executive officers and directors that no other reports were required, the Company believes that all of these Forms were filed on a timely basis by reporting persons during the fiscal year ended December 31, 2012, except that late reports were filed by Messrs. Rowland, Taylor, Dively, Hedges, McRae, LeFebvre and Slabach and Ms. Allenbaugh regarding the vesting and release of their 2011 Long-Term Incentive Program awards on January 24, 2012, a late report was filed by Mr. Melvin for 1,400 shares acquired on February 23, 2012 and a late report was filed by Mr. McRae regarding the exercise of 843 stock options on May 8, 2012. These transactions were reported to the Securities and Exchange Commission (the "SEC") on February 10, 2012, March 13, 2012 and May 21, 2012, respectively.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The audit committee reviewed and discussed with management the Company's audited financial statements as of and for the fiscal year ended December 31, 2012.

The audit committee also discussed with the independent auditors, BKD, LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The audit committee received the written disclosures and the letter from BKD, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding BKD, LLP's communications with the audit committee concerning independence, and discussed with BKD, LLP the independence of that firm.

Based on the review and discussion referred to above, the audit committee recommended to the Board of Directors that the audited financial statements referred to above be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.

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

Ray Anthony Sparks, Chairman
Charles A. Adams
Holly A. Bailey

Steven L. Grissom
Benjamin I. Lumpkin
Gary W. Melvin

FEES OF INDEPENDENT AUDITORS

Audit Fees. The aggregate fees billed for professional services rendered by BKD, LLP for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2012 and 2011, the audit of the Company's internal control over financial reporting as of December 31, 2012 and 2011, and the review of the financial statements included in the Company's Quarterly Reports on Form 10-Q for 2012 and 2011 were \$197,600 and \$192,000, respectively.

Audit-Related Fees. The aggregate fees billed for professional services rendered by BKD, LLP for audit-related services for the fiscal years ended December 31, 2012 and 2011 (namely employee benefit plan audit) were \$17,200 and \$18,546, respectively.

Tax Fees. The aggregate fees billed for professional services rendered by BKD, LLP for the fiscal years ended December 31, 2012 and 2011 (namely preparation of consolidated tax return and tax advice) were \$25,630 and \$26,105, respectively.

All Other Fees. The aggregate fees billed for professional services rendered by BKD, LLP for the fiscal years ended December 31, 2012 and 2011 (namely cost segregation study) were \$0 and \$41,543, respectively.

The audit committee pre-approves all auditing services and permitted non-audit services provided by the independent auditors. These services may include audit services, audit-related services, tax services and other services. The audit committee pre-approved all services performed by the independent auditors in 2012.

INDEPENDENT PUBLIC ACCOUNTANTS

BKD, LLP acted as independent certified public accountants of the Company and its subsidiaries for the fiscal years ending December 31, 2012 and 2011. BKD, LLP has served as the Company's independent auditors since July 26, 2005.

A representative from BKD, LLP is expected to be present at the annual meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions. The Company has not yet appointed its independent auditors for the fiscal year ending December 31, 2013. The Company expects to appoint its independent auditors for 2013 at its March meeting of the Board of Directors.