

FIRST MID ILLINOIS BANCSHARES INC
Form DEF 14A
March 18, 2014

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 18, 2014

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 30, 2014, 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 18, 2014, 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 2013 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 2014 annual meeting of stockholders is being held for the following purposes:

1. The election of Steven L. Grissom and Gary W. Melvin as directors of the Company (Proposal 1);
2. To conduct an advisory vote on executive compensation (Proposal 2); and
3. 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) 258-9520 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.
Joseph R. Dively
Chairman, President 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 30, 2014

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 30, 2014 at 4:00 p.m. local time. The Board of Directors would like to have all stockholders represented at the meeting. This proxy statement and the enclosed form of proxy are being made available to the stockholders beginning on or about March 18, 2014.

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 6, 2014 (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 5,872,977 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, 2014, 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 c/o Schiff Hardin LLP 233 S. Wacker Dr., Suite 6600 Chicago, Illinois 60606	Common	396,192	(3) 6.7	%(19) 8.7
	Series B Preferred	540	(3) 11.0	%
	Series C Preferred	—	—	%
Richard Anthony Lumpkin 121 South 17th Street Mattoon, Illinois 61938	Common	524,324	(4) 8.9	%(19) 10.7
	Series B Preferred	280	(4) 5.7	%
	Series C Preferred	230	(4) 4.2	%
Charles A. Adams 1020 North 13th Street Mattoon, Illinois 61938	Common	488,380	(5) 8.3	%(18) 10.1
	Series B Preferred	200	(5) 4.1	%
	Series C Preferred	300	(5) 5.5	%
Elizabeth L. Celio c/o SKL Investment Group, LLC 121 South 17th Street	Common	277,461	(6) 4.7	%(19) 7.1
	Series B Preferred	110	(6) 2.2	%
	Series C Preferred	500	(6) 9.1	%

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Mattoon, IL 61938

Kermit Speer	Common	207,455	(7)	3.5	% (19)	7.4	% (21)
1648 Taylor Road	Series B Preferred	400	(7)	8.1	%		
Port Orange, FL 32128	Series C Preferred	637	(7)	11.6	%		

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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:				
Holly A. Bailey	Common	24,411	(8) *%	(19) 1.7 % (21)
	Series B Preferred	200	(8) 4.1	%
	Series C Preferred	125	(8) 2.3	%
Joseph R. Dively	Common	34,865	(9) *%	(19) * % (21)
	Series B Preferred	40	(9) *%	
	Series C Preferred	20	(9) *%	
Steven L. Grissom 121 South 17th Street Mattoon, Illinois 61938	Common	451,020	(10) 7.7	%(19) 9.8 % (21)
	Series B Preferred	620	(10) 12.6	%
	Series C Preferred	—	(10) —	%
Benjamin I. Lumpkin 121 South 17th Street Mattoon, IL 61938	Common	285,416	(11) 4.8	%(19) 7.3 % (21)
	Series B Preferred	150	(11) 3.0	%
	Series C Preferred	500	(11) 9.1	%
Gary W. Melvin 1134 CR 1650 E Sullivan, IL 61951	Common	371,658	(12) 6.3	%(19) 8.9 % (21)
	Series B Preferred	200	(12) 4.1	%
	Series C Preferred	489	(12) 8.9	%
William S. Rowland	Common	89,268	(13) 1.5	%(19) 1.8 % (21)
	Series B Preferred	50	(13) 1.0	%
	Series C Preferred	20	(13) *%	
Ray Anthony Sparks 30 South Country Club Road Mattoon, IL 61938	Common	237,129	(14) 4.0	%(19) 6.6 % (21)
	Series B Preferred	470	(14) 9.5	%
	Series C Preferred	230	(14) 4.2	%
Michael L. Taylor	Common	17,451	(15) *%	(19) * % (20)
	Series B Preferred	4	(15) *%	
	Series C Preferred	4	(15) *%	
John W. Hedges	Common	30,826	(16) *%	(19) * % (21)
	Series B Preferred	10	(16) *%	
	Series C Preferred	5	(16) *%	
Eric S. McRae	Common	19,126	(17) *%	(19) * % (21)
	Series B Preferred	15	(17) *%	
	Series C Preferred	2	(17) *%	
All director nominees, directors, named executive officers and other executive officers as a group (14 persons)	Common	1,591,249	(18) 26.6	%(20) 34.8 % (22)
	Series B Preferred	1,766	(18) 35.8	%
	Series C Preferred	1,395	(18) 25.4	%

(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.

(5) The above Common Stock amount includes 134,114 shares held by Mr. Adams individually; 271,146 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; 60,745 shares held for 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 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.

- (6) 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.

- (7) The above Common Stock amount includes 207,455 shares held by Mr. Speer individually. The above Series B Preferred Stock amount includes 400 shares of Series B Preferred Stock held by Mr. Speer individually. The above Series C Preferred Stock amount includes 637 shares of Series C Preferred Stock held by Mr. Speer individually.

(8) The above Common Stock amount includes 24,411 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 above Series C Preferred Stock amount includes 125 shares of Series C Preferred Stock held by Ms. Bailey individually.

(9) The above amount includes 16,030 shares held by Mr. Dively individually; 15,460 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. 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.

(10) The above Common Stock amount includes 39,555 shares held by Mr. Grissom individually; 9,213 shares held jointly with his spouse; 2,385 shares held for the account of Mr. Grissom under the Company's Deferred Compensation Plan; and options to purchase 3,375 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 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.

(11) 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 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.

(12) The above Common Stock amount includes 326,132 shares held by Mr. Melvin individually; 42,151 shares held for the account of Mr. Melvin 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 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.

(13) The above Common Stock amount includes 20,828 shares held by Mr. Rowland individually; 24,844 shares for the account of Mr. Rowland under an Individual Retirement Account; 9,514 shares held for the account of Mr. Rowland under the Company's 401(k) Plan; 7,082 shares held for the account of Mr. Rowland under the Company's Deferred Compensation Plan; and options to purchase 27,000 shares of Common Stock. The above 50 shares of Series B Preferred Stock are held jointly by Mr. Rowland and his spouse. The above 20 shares of Series C Preferred Stock are held jointly by Mr. Rowland and his spouse.

(14) 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; 22,797 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 3,435 shares held by Mr. Taylor individually; 3,453 shares held for the account of Mr. Taylor under the Company's 401(k) Plan and options to purchase 10,563 shares of Common (15) Stock. 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.

The above Common Stock amount includes 9,371 shares held by Mr. Hedges individually and 337 shares held jointly with his spouse; 1,539 shares held for the account of Mr. Hedges under the Company's 401(k) Plan; 6,767 shares held for the account of Mr. Hedges under the Company's Deferred Compensation Plan; and options to (16) purchase 12,812 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.

The above Common Stock amount includes 6,981 shares held by Mr. McRae individually; 653 shares for the account of Mr. McRae under an Individual Retirement Account; 2,715 shares held for the account of Mr. McRae under the Company's 401(k) Plan; 1,402 shares held for the account of Mr. McRae under the Company's Deferred (17) Compensation Plan; and options to purchase 7,375 shares of Common Stock. The above 15 shares of Series B Preferred Stock are held by Mr. McRae individually. The above 2 shares of Series C Preferred Stock are held by Mr. McRae individually.

The above amounts include additional shares for four executive officers not included in above table. The above (18) Common Stock amount includes an aggregate of 88,125 shares obtainable upon the exercise of options.

Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options which are (19) exercisable within 60 days by each individual.

Percentage is calculated on a partially diluted basis, assuming only the exercise of stock options which are (20) exercisable within 60 days by all director nominees, directors, named executive officers and other executive officers.

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 (21) 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.

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 (22) officers; the conversion of 407,256 shares obtainable through the conversion of 1,766 shares of Series B Preferred Stock held by such individuals; and the conversion of 343,761 shares obtainable through the conversion of 1,395 shares of Series C Preferred Stock held by such individuals.

* Less than 1%

As of February 1, 2014, the Bank acted as sole or co-fiduciary with respect to trusts and other fiduciary accounts which own or hold 168,972 shares or 2.9% of the outstanding Common Stock of the Company, over which the Bank has sole voting and investment power with respect to 149,989 shares, or 2.6% of the outstanding Common Stock and shared voting and investment power with respect to 18,983 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 re-election as Class I directors, for a term expiring in 2017, Steven L. Grissom and Gary W. Melvin. Messrs. Grissom and Melvin have served as directors of the Company since 2000 and 1990, respectively. The two individuals receiving the highest number of votes cast will be elected as directors of the Company and will serve as Class I 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.

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 18, 2014	Principal Occupation	Year First Became Director	Year Term Expires
DIRECTOR NOMINEES				
Steven L. Grissom	61	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	65	Consultant and director of Rural King Farm & Home Supplies stores, a retail farm and home supply store chain. President and Co-Owner, Rural King Farm & Home Supplies stores (1979-2013); 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

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

Name	Age at March 18, 2014	Principal Occupation	Year First Became Director	Year Term Expires
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DIRECTORS CONTINUING IN OFFICE

Holly A. Bailey	43	President of Howell Asphalt Company (since 2008) and Howell Paving, Inc. (since 2013), a road construction company; Executive Vice President of Howell Paving, Inc. (2008-2013); and Vice President of Howell Asphalt Company and Howell Paving (1997- 2008).	2012	2015
Joseph R. Dively	54	Chairman, President and Chief Executive Officer (since January 2014); Senior Executive Vice President of the Company (May 2011-December 2013); 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
Benjamin I. Lumpkin	41	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	2016
William S. Rowland	67	Chairman, President, Chief Executive Officer of the Company (1999-2013); 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); Director (since 1999), Chairman (since 1999), and Executive Vice President (1989-1999) of the Bank; Director of Insurance Group (since 2002).	1991	2015
Ray Anthony Sparks	57	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	1994	2016

1997) and of the Company (since 1994); Director of Data Services (since 1996); Director of Insurance Group (since 2002); Chief Executive Officer/Executive Director (from 2009-2012), Mattoon Area Family YMCA.

CORPORATE GOVERNANCE MATTERS

BOARD OF DIRECTORS

Prior to December 17, 2013, the Company applied the independence standards of the New York Stock Exchange in determining if the members of the Board of Directors are independent. On December 17, 2013, the Company adopted the independence standards of the NASDAQ Stock Market LLC ("NASDAQ"), in lieu of the New York Stock Exchange standards, for use in determining if the members of the Board of Directors are independent. The independence standards of NASDAQ will be applied from and after December 17, 2013. Applying the standards of the New York Stock Exchange and NASDAQ, the Board of Directors has determined that, except for Mr. Dively and Mr. Rowland, the members of the Board of Directors are independent, including Mr. Adams during his time on the Board of Directors during 2013 prior to his retirement for the Board at the Company's 2013 annual meeting. Although the Company's Common Stock and Preferred Stock are not listed on NASDAQ, 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 and compensation committee satisfy the independence, experience and other membership requirements of NASDAQ, as required by the audit committee charter and the compensation committee charter. 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 2013. During 2013, 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 2013 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 who 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.

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 also President (since 2013). She served as Executive Vice President of Howell Paving, from 2008-2013 and Vice President of Howell Asphalt Company and 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.

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 served as Senior Executive Vice President of

the Company and President of the Bank from May 2011 to December 2013. Beginning January 1, 2014, Mr. Dively became the Chairman of the Board of Directors and CEO of the Company following the retirement of previous Chairman and CEO Mr. Rowland. He also retained his position as President of the Bank. Mr. Dively provides a wealth of institutional knowledge of the Company. Prior to his 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 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 (2009-2013), Vice President (2012-2013) and chairman (since 2012) of the investment committee 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 served as president, CEO and majority owner of Rural King Farm & Home Supplies, Inc., a retail farm and home supply store chain where he was actively involved with management in all aspects of the business. He currently serves as consultant and director, as well as a major stockholder, of Rural King Farm & Home Supplies, Inc. 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 served as Chairman of the Board of Directors and Chief Executive Officer of the Company until his retirement on December 31, 2013 (1999-2013). Previously, he was 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. 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 served as President and Chief Executive Officer and Chairman of the Board of Directors of the Company until his retirement from these positions on December 31, 2013. Mr. Dively has assumed each of these positions as of January 1, 2014. The Board of Directors believes that having the Chief Executive Officer and Chairman positions held by the same individual allows that individual 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. Dively, like Mr. Rowland before him, brings to the Board of Directors helps to enhance the Board of Directors' leadership of the Company.

At its meeting on January 28, 2014, the Board of Directors appointed Mr. Sparks as its lead independent director. Prior to Mr. Sparks' appointment, the Board of Directors did not have a lead independent director. The responsibilities of the lead independent director include the following: acting as a liaison between the Chairman and the independent members of the Board of Directors; advising the Chairman on the quality, quantity and timeliness of the flow of information from management; serving as a resource to the members of the Board of Directors on corporate governance practices and policies; and coordinating and moderating executive sessions of the independent members of the Board of Directors.

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, (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 approximately 34% 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 executive management, including the senior Risk Management officer. The Board of Directors reviews and discusses these reports with each of the executive 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 \$24 million at December 31, 2013. 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 but has adopted a Director Nomination Policy. A majority of the Board's independent directors (the "Independent 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. Pursuant to the Director Nomination Policy, the Independent Directors review and make recommendations regarding the composition and size of the Board of Directors in order to ensure that it has the requisite expertise and that its membership consists of persons with sufficiently diverse backgrounds and satisfies NASDAQ's listing requirements regarding independent directors. The Company believes the diverse backgrounds and perspectives of its current directors, as described above under "Board Director Qualifications," are appropriate to the oversight of the Company's management team and performance. 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 NASDAQ Stock Exchange. The Independent Directors act in accordance with the Company's Director Nomination Policy and the Company's Certificate of Incorporation when performing their nominating function.

In the consideration of director nominees, the Independent Directors consider, 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 Independent 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, 2013 were Messrs. Adams (until April 2013 when he retired from the Board of Directors), Grissom, Lumpkin, Melvin and Sparks, and Ms. Bailey. The audit committee met 5 times in 2013. 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, experience and other membership requirements of NASDAQ (following the Company's adoption of the NASDAQ standards), the New York Stock Exchange (prior to the Company's adoption of the NASDAQ standards) and the Federal Deposit Insurance Act. The Securities and Exchange Commission requires that Boards of Directors disclose 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. Accordingly, Mr. Grissom is presumed to qualify as a financially sophisticated audit committee member under the rules of NASDAQ.

The audit committee acts pursuant to a written charter that was reviewed and reassessed for adequacy and reaffirmed by the Board of Directors on December 17, 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, 2013 were Messrs. Adams (until April 2013 when he retired from the Board of Directors), Grissom, Lumpkin, Melvin and Sparks, and Ms. Bailey. The compensation committee met 3 times in 2013. 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.

The Board of Directors determined that each member of the compensation committee satisfied the independence, experience and other membership requirements of NASDAQ (following the Company's adoption of the NASDAQ standards), the New York Stock Exchange (prior to the Company's adoption of the NASDAQ standards) and the Federal Deposit Insurance Act. The compensation committee acts pursuant to a written charter that was adopted by the Board of Directors on December 17, 2013. A copy of the compensation committee charter may be found on the Company's website at www.firstmid.com. The compensation committee will review and reassess the charter from time to time but not less than annually.

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, 2013, 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; 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 the Board of Directors or any individual director by sending written correspondence addressed to the Board of Directors or such individual 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 Board of Directors or 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 2013 Annual Meeting of Stockholders.

CODE OF CONDUCT

The Company has adopted a code of conduct for directors, officers, and employees of the Company. This code of conduct is posted on the Company's website at www.firstmid.com. The code of conduct sets forth guiding principles by which the Company and its directors, officers and employees conduct business with the Company's stockholders and customers.

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, 2013.

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, 2013.

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, 2013.

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

Ray Anthony Sparks, Chairman
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, 2013 and