

FIRST CAPITAL INC  
Form DEF 14A  
April 12, 2012

## SCHEDULE 14A INFORMATION

### 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 § 240.14a-12

## First Capital, Inc.

(Name of Registrant as Specified In Its Charter)

N/A

(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:

N/A

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(2) Aggregate number of securities to which transactions applies:

N/A

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

N/A

(4) Proposed maximum aggregate value of transaction:

N/A

(5) Total fee paid:

N/A

.. Fee paid previously with preliminary materials.

.. 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:

N/A

(2) Form, Schedule or Registration Statement No.:

N/A

(3) Filing Party:

N/A

(4) Date Filed:

N/A

[LETTERHEAD OF FIRST CAPITAL, INC.]

April 12, 2012

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of First Capital, Inc. We will hold the meeting at the main office of First Harrison Bank, 220 Federal Drive, N.W., Corydon, Indiana, on Wednesday, May 23, 2012, at 12:00 noon, local time.

The notice of annual meeting and the proxy statement appearing on the following pages describe the formal business to be transacted at the meeting. During the meeting, we also will report on the operations of the Company. Directors and officers of the Company, as well as a representative of Monroe Shine & Co., Inc., the Company's independent registered public accounting firm, will be present to respond to appropriate questions of shareholders.

It is important that your shares are represented at this meeting, whether or not you attend the meeting in person and regardless of the number of shares you own. To make sure your shares are represented, we urge you to vote via the Internet or telephone or by returning a completed proxy card. If you attend the meeting, you may vote in person even if you have previously mailed a proxy card or voted via the Internet or by telephone.

We look forward to seeing you at the meeting.

Sincerely,

/s/ Gerald L. Uhl  
Gerald L. Uhl  
*Chairman of the Board*

/s/ William W. Harrod  
William W. Harrod  
*President and Chief Executive Officer*

**FIRST CAPITAL, INC.**

**220 Federal Drive, N.W.**

**Corydon, Indiana 47112**

**(812) 738-2198**

**NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS**

**TIME AND DATE** 12:00 noon, local time, on Wednesday, May 23, 2012

**PLACE** First Harrison Bank

220 Federal Drive, N.W.

Corydon, Indiana 47112

**ITEMS OF BUSINESS**

- (1) The election of four directors to serve for a term of three years;
- (2) The ratification of the selection of Monroe Shine & Co., Inc. as our independent registered public accounting firm for the fiscal year ending December 31, 2012; and
- (3) The transaction of such other business as may properly come before the meeting and any adjournment or postponement of the meeting.

**RECORD DATE** In order to vote, you must have been a shareholder at the close of business on March 28, 2012.

**PROXY VOTING** It is important that your shares be represented and voted at the meeting. You can vote your shares via the Internet, by telephone or by completing and returning the proxy card or voting instruction card sent to you. Voting instructions are printed on the proxy card. A printed proxy card for the annual meeting and a self-addressed, postage pre-paid envelope will be mailed to all shareholders of record on or about April 23, 2012. You can revoke a proxy at any time before its exercise at the meeting by following the instructions in the proxy statement.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jill Keinsley

Jill Keinsley  
*Corporate Secretary*

Corydon, Indiana

April 12, 2012

**FIRST CAPITAL, INC.**

**PROXY STATEMENT**

**GENERAL INFORMATION**

We are providing this proxy statement to you in connection with the solicitation of proxies by the Board of Directors of First Capital, Inc. for the 2012 annual meeting of shareholders and for any adjournment or postponement of the annual meeting. In this proxy statement, we may also refer to First Capital, Inc. as First Capital, the Company, we, our or us.

First Capital is the holding company for First Harrison Bank. In this proxy statement, we may also refer to First Harrison Bank as First Harrison or the Bank.

We will hold the annual meeting at the Bank's main office, 220 Federal Drive, N.W., Corydon, Indiana, on Wednesday, May 23, 2012, at 12:00 noon, local time.

We intend to provide access to this proxy statement and a proxy card to shareholders of record beginning on or about April 12, 2012.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS**

**FOR THE SHAREHOLDER MEETING TO BE HELD ON MAY 23, 2012**

This Proxy Statement is available at <http://cfpproxy.com/4684>. Also available on this website is the Company's 2011 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, which includes the Company's audited consolidated financial statements.

**INFORMATION ABOUT VOTING**

**Who Can Vote at the Meeting**

You are entitled to vote your shares of First Capital common stock if the records of the Company show that you held your shares as of the close of business on March 28, 2012. As of the close of business on March 28, 2012, a total of 2,785,693 shares of First Capital common stock were outstanding. Each share of common stock has one vote.

The Company's Articles of Incorporation provide that record holders of the Company's common stock who beneficially own, either directly or indirectly, in excess of 10% of the Company's outstanding shares are not entitled to any vote with respect to the shares held in excess of the 10% limit.

**Ownership of Shares; Attending the Meeting**

You may own your shares of common stock of First Capital in one or more of the following ways:

Directly in your name as shareholder of record;

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Indirectly through a broker, bank or other holder of record in street name ; or

Indirectly through the First Harrison Bank Employee Stock Ownership Plan (the ESOP ) and Trust.

If your shares are registered directly in your name, you are the holder of record of those shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us to vote at the annual meeting or you may vote in person at the annual meeting.

If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage account statement or a letter from your bank or broker are examples of proof of ownership. If you want to vote your shares of First Capital common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other holder who is the record holder of your shares.

Participants in the ESOP may direct the ESOP trustees how to vote the shares allocated to their accounts. See *Participants in the ESOP* below.

### **Quorum and Vote Required**

**Quorum.** We will have a quorum and will be able to conduct the business of the annual meeting if the holders of a majority of the outstanding shares of common stock entitled to vote are present at the meeting, either in person or by proxy.

**Votes Required for Proposals.** At this year's annual meeting, shareholders will elect four directors to each serve for a term of three years. In voting on the election of directors, you may vote in favor of all nominees, withhold votes as to all nominees or withhold votes as to specific nominees. There is no cumulative voting for the election of directors. Directors must be elected by a plurality of the votes cast at the annual meeting. This means that the nominees receiving the largest number of votes cast will be elected up to the maximum number of directors to be elected at the annual meeting. The maximum number of directors to be elected at the annual meeting is four.

In voting on the proposal to ratify the appointment of Monroe Shine & Co., Inc. as the independent registered public accounting firm, you may vote in favor of the proposal, vote against the proposal or abstain from voting. To be approved, this proposal requires the affirmative vote of a majority of the votes cast at the annual meeting.

**Effect of Not Casting Your Vote.** If you hold your shares in street name, it is critical that you cast your vote if you want it to count in the election of directors. In the past, if you held your shares in street name and you did not indicate how you wanted your shares voted in the election of directors, your bank or broker was allowed to vote those shares on your behalf in the election of directors as they deemed appropriate.

Your bank or broker is unable to vote your uninstructed shares in the election of directors on a discretionary basis. Therefore, if you hold your shares in street name and you do not instruct your bank or broker how to vote in the election of directors, no votes will be cast on your behalf. These are referred to as broker non-votes. Your bank or broker, however, will continue to have discretion to vote any uninstructed shares on the ratification of the appointment of the Company's independent registered public accounting firm. If you are a shareholder of record and you do not cast your vote, no votes will be cast on your behalf on any of the items of business at the annual meeting.



**How We Count Votes.** If you return valid proxy instructions or attend the meeting in person, we will count your shares to determine whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted to determine the existence of a quorum.

In the election of directors, votes that are withheld and broker non-votes will have no effect on the outcome of the election.

In counting votes on the proposal to ratify the selection of the independent registered public accounting firm, we will not count abstentions and broker non-votes as votes cast on the proposal. Therefore, abstentions and broker non-votes will have no effect on the outcome of the proposal.

### **Voting by Proxy**

The Board of Directors of First Capital is sending you this proxy statement for the purpose of requesting that you allow your shares of First Capital common stock to be represented at the annual meeting by the designated proxies named by the Board of Directors. All shares of First Capital common stock represented at the meeting by properly executed and dated proxies will be voted according to the instructions indicated on the proxy card. If you sign, date and return a proxy card without giving voting instructions, your shares will be voted as recommended by the Company's Board of Directors.

### **The Board of Directors recommends a vote:**

**FOR each of the nominees for director; and**

**FOR the ratification of Monroe Shine & Co., Inc. as the Company's independent registered public accounting firm.**

If any matters not described in this proxy statement are properly presented at the annual meeting, the persons named in the proxy card will use their own best judgment as to how to vote your shares. This includes a motion to adjourn or postpone the annual meeting in order to solicit additional proxies. If the annual meeting is postponed or adjourned, your First Capital common stock may be voted by the persons named in the proxy card on the new meeting date as well, unless you have revoked your proxy. The Company does not know of any other matters to be presented at the meeting.

You may revoke your proxy at any time before the vote is taken at the annual meeting. To revoke your proxy, you must either advise the Company's Corporate Secretary in writing before your shares have been voted at the annual meeting, deliver valid proxy instructions with a later date, or attend the meeting and vote your shares in person. Attendance at the annual meeting will not in itself constitute revocation of your proxy.

Instead of voting by mailing a proxy card, registered shareholders can vote their shares of Company common stock via the Internet or by telephone. The Internet and telephone voting procedures are designed to authenticate shareholders' identities, allow shareholders cast their vote and confirm that their vote has been recorded properly. Specific instructions for Internet and telephone voting are set forth on the proxy card. The deadline for voting via the Internet or by telephone is 3:00 a.m., local time, on Wednesday, May 23, 2012.

## Participants in the ESOP

If you participate in the ESOP, you will receive a voting instruction form for all shares you may vote under the plan. Under the terms of the ESOP, the ESOP trustees vote all shares held by the ESOP, but each participant in the ESOP may direct the trustees how to vote the shares of Company common stock allocated to his or her account. The ESOP trustees, subject to the exercise of their fiduciary duties, will vote all unallocated shares of common stock held by the ESOP and all allocated shares for which no timely voting instructions are received in the same proportion as shares for which the trustees have received valid voting instructions. **The deadline for returning your voting instructions to the ESOP trustees is May 16, 2012.**

## CORPORATE GOVERNANCE

### General

The Company periodically reviews its corporate governance policies and procedures to ensure that the Company meets the highest standards of ethical conduct, reports results with accuracy and transparency and fully complies with the laws, rules and regulations that govern the Company's operations. As part of this periodic corporate governance review, the Board of Directors reviews and adopts best corporate governance policies and practices for the Company.

### Director Independence

The Company's Board of Directors currently consists of thirteen members. All of the directors are independent under the listing standards of the Nasdaq Stock Market, Inc., except for Samuel E. Uhl, Gerald L. Uhl, Mark D. Shireman, Michael L. Shireman and William W. Harrod. In determining the independence of its directors, the Board of Directors considered transactions, relationships and arrangements between the Company and its directors that are not required to be disclosed in this proxy statement under the heading *Other Information Relating to Directors and Executive Officers Transactions With Related Persons*, including loans or lines of credit that the Bank has, directly or indirectly, made to Directors Buschemeyer, Ernstberger, Harrod, Huber, Pendleton, Saulman, Michael Shireman, Samuel Uhl and Gerald Uhl.

### Board Leadership Structure and Board's Role in Risk Oversight

Gerald L. Uhl currently serves as Chairman of the Company's Board of Directors. Gerald L. Uhl is the brother of Samuel E. Uhl, the President and Chief Executive Officer of the Bank and the Chief Operating Officer of the Company, and, therefore, is not independent under the listing standards of the Nasdaq Stock Market, Inc. The Company's Board of Directors endorses the view that one of its primary functions is to protect shareholders' interests by providing independent oversight of management, including the Chief Executive Officer. However, the Board does not believe that mandating a particular structure, such as requiring that the Chairman of the Board be independent under the listing standards of the Nasdaq Stock Market, Inc., is necessary to achieve effective oversight. The Chairman of the Board has no greater nor lesser vote on matters considered by the Board than any other director, and the Chairman does not vote on any related party transaction. All directors of the Company, including the Chairman, are bound by fiduciary obligations, imposed by law, to serve the best interests of the shareholders. Accordingly, having a director who is not independent under the listing standards of the Nasdaq Stock Market, Inc. serve as Chairman of the Board does not enhance or diminish the fiduciary duties of any director of the Company.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. The Company faces a number of risks, including credit risk, interest rate risk,

liquidity risk, operational risk, strategic risk and reputation risk. Management is responsible for the day-to-day management of the risks the Company faces, while the Board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk management oversight role, the Board of Directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. Toward this end, the Chairman of the Board meets regularly with management to discuss strategy and the risks facing the Company. Senior management attends the Board meetings and is available to address any questions or concerns raised by the Board on risk management and any other matters. The Chairman of the Board and independent members of the Board work together to provide strong, independent oversight of the Company's management and affairs through its standing committees and, when necessary, special meetings of independent directors.

### Committees of the Board of Directors

The following table identifies our standing committees and their members. The members of the Audit, Compensation and Nominating Committees are each independent in accordance with the relevant listing standards of the Nasdaq Stock Market, Inc. The charters of the Audit Committee, Nominating Committee and Compensation Committee are available in the Investor Relations section of the Bank's website ([www.firstharrison.com](http://www.firstharrison.com)).

| Director                          | Executive Committee | Audit Committee | Compensation Committee | Nominating Committee |
|-----------------------------------|---------------------|-----------------|------------------------|----------------------|
| John W. Buschemeyer               |                     |                 |                        |                      |
| Christopher L. Byrd               |                     | X               | X                      | X*                   |
| Kathryn W. Ernstberger            | X                   |                 | X*                     |                      |
| William W. Harrod                 | X                   |                 |                        |                      |
| Dennis L. Huber                   |                     |                 | X                      | X                    |
| Pamela G. Kraft                   |                     |                 | X                      | X                    |
| William I. Orwick, Sr.            |                     | X*              |                        |                      |
| Kenneth R. Saulman                |                     | X               | X                      |                      |
| Mark D. Shireman                  | X                   |                 |                        |                      |
| Michael L. Shireman               | X                   |                 |                        | X                    |
| Samuel E. Uhl                     | X                   |                 |                        |                      |
| Gerald L. Uhl                     | X*                  |                 |                        |                      |
| Carolyn E. Wallace                |                     | X               |                        |                      |
| <i>Number of Meetings in 2011</i> | 3                   | 8               | 4                      | 3                    |

\* Denotes Chairperson

**Executive Committee.** The Executive Committee evaluates issues of major importance to the Company between regularly scheduled Board meetings. The Executive Committee acts on issues delegated to it by the Board of Directors.

**Audit Committee.** The Board of Directors has a separately-designated standing Audit Committee established in accordance with the Securities Exchange Act of 1934, as amended. The Audit Committee meets periodically with the Company's independent registered public accounting firm and management to review accounting, auditing, internal control structure and financial reporting matters. The Board of Directors has determined that William I. Orwick, Sr. and Carolyn E. Wallace are audit committee financial experts under the rules of the Securities and Exchange Commission. The report of the Audit Committee required by the rules of the Securities and Exchange Commission is included in this proxy statement. See *Report of the Audit Committee*.

**Compensation Committee.** The Compensation Committee approves the compensation objectives for the Company and the Bank and establishes the compensation for the Chief Executive

Officer and Chief Operating Officer. The Compensation Committee reviews all compensation components for the Company's Chief Executive Officer, Chief Operating Officer and other highly compensated executive officers' compensation including base salary, annual incentives, short-term incentives, benefits and other perquisites. In addition to reviewing competitive market values, the Compensation Committee also examines the total compensation mix, pay-for-performance relationship, and how all elements, in the aggregate, comprise the executives' total compensation package. Decisions by the Compensation Committee with respect to the compensation of the Chief Executive Officer and Chief Operating Officer are approved by the full Board of Directors. The Compensation Committee also assists the Board of Directors in evaluating potential candidates for executive positions.

**Nominating Committee.** The Nominating Committee annually selects the Board's nominees for election as directors. For the procedures of the Nominating Committee, see *Nominating Committee Procedures* below.

### **Nominating Committee Procedures**

**General.** It is the policy of the Nominating Committee to consider director candidates recommended by shareholders who appear qualified to serve on the Board of Directors. The Nominating Committee may choose not to consider an unsolicited recommendation if no vacancy exists on the Board of Directors and the Nominating Committee does not perceive a need to increase the size of the Board of Directors. In order to avoid the unnecessary use of the Nominating Committee's resources, the Nominating Committee will consider only those director candidates recommended in accordance with the procedures set forth below.

**Procedures to be Followed by Shareholders.** To submit a recommendation of a director candidate to the Nominating Committee, a shareholder should submit the following information in writing, addressed to Christopher L. Byrd, Chairperson of the Nominating Committee, care of the Corporate Secretary, at the main office of the Company:

1. The name of the person recommended as a director candidate;
2. All information relating to such person that is required to be disclosed in solicitations of proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended;
3. The written consent of the person being recommended as a director candidate to being named in the proxy statement as a nominee and to serving as a director if elected;
4. As to the shareholder making the recommendation, the name and address, as he or she appears on the Company's books, of such shareholder; provided, however, that if the shareholder is not a registered holder of the Company's common stock, the shareholder should submit his or her name and address, along with a current written statement from the record holder of the shares that reflects ownership of the Company's common stock; and
5. A statement disclosing whether such shareholder is acting with or on behalf of any other person and, if applicable, the identity of such person.

In order for a director candidate to be considered for nomination at the Company's annual meeting of shareholders, the Nominating Committee must receive the recommendation at least 120 calendar days before the date the Company's proxy statement was released to shareholders in connection with the previous year's annual meeting, advanced by one year.

**Minimum Qualifications for Nominees.** The Nominating Committee has adopted a set of criteria that it considers when it selects individuals to be nominated for election to the Board of Directors. First, a candidate must meet the age limitation requirements set forth in the Company's Bylaws. A candidate also must meet any qualification requirements set forth in any Board or committee governing documents.

The Nominating Committee will consider the following criteria in selecting nominees: financial, regulatory and business experience; familiarity with and participation in the local community; integrity, honesty and reputation; dedication to the Company and its shareholders; independence; and any other factors the Nominating Committee deems relevant, including age, diversity, size of the Board of Directors and regulatory disclosure obligations. The Board will also consider the extent to which the candidate helps the Board of Directors reflect the diversity of the Company's shareholders, employees, customers and communities. The Committee also may consider the current composition and size of the Board of Directors, the balance of management and independent directors and the need for audit committee expertise.

In addition, before nominating an existing director for re-election to the Board of Directors, the Nominating Committee will consider and review an existing director's Board and committee attendance and performance; length of Board service; experience, skills and contributions that the existing director brings to the Board; and independence.

**Process for Identifying and Evaluating Nominees.** For purposes of identifying nominees for the Board of Directors, the Nominating Committee relies on personal contacts of the committee members and other members of the Board of Directors, as well as its knowledge of members of First Capital's local communities. The Nominating Committee will also consider director candidates recommended by shareholders in accordance with the policy and procedures set forth above. The Nominating Committee has not used an independent search firm in identifying nominees.

In evaluating potential candidates, the Nominating Committee determines whether the candidate is eligible and qualified for service on the Board of Directors by evaluating the candidate under the selection criteria set forth above. In addition, the Nominating Committee will conduct a check of the individual's background and interview the candidate.

#### **Board and Committee Meetings**

The business of First Capital and First Harrison is conducted through meetings and activities of their respective Boards of Directors and committees. During the fiscal year ended December 31, 2011, the Board of Director of First Capital held 13 meetings and the Board of Directors of First Harrison held 14 meetings. No director attended fewer than 75% of the total meetings of the Boards of Directors and of the committees on which that director served.

#### **Directors Attendance at Annual Meeting**

The Board of Directors encourages directors to attend the Company's annual meeting of shareholders. All directors attended the Company's 2011 annual meeting of shareholders.

#### **Code of Ethics and Business Conduct**

First Capital has adopted a Code of Ethics and Business Conduct (the "Code") that is designed to ensure that the Company's directors and employees meet the highest standards of ethical conduct. The Code, which applies to all employees and directors, addresses conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and

regulations. In addition, the Code is designed to deter wrongdoing and promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations.

#### **REPORT OF THE AUDIT COMMITTEE**

The Company's management is responsible for the Company's internal control over financial reporting. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and issuing an opinion on the conformity of those financial statements with accounting principles generally accepted in the United States of America. The Audit Committee oversees the Company's internal controls and financial reporting process on behalf of the Board of Directors.

In this context, the Audit Committee has met and held discussions with management and the independent registered public accounting firm. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent registered public accounting firm. The Audit Committee discussed with the independent registered public accounting firm matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1. AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T, including the quality, and not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosures in the financial statements.

In addition, the Audit Committee has received the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board and has discussed with the independent registered public accounting firm the firm's independence from the Company and its management. In concluding that the independent registered public accounting firm is independent, the Audit Committee considered, among other factors, whether the non-audit services provided by the firm were compatible with its independence.

The Audit Committee discussed with the Company's independent registered public accounting firm the overall scope and plans for their audit. The Audit Committee meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination, their evaluation of the Company's internal control over financial reporting and the overall quality of the Company's financial reporting process.

In performing all of these functions, the Audit Committee acts only in an oversight capacity. In its oversight role, the Audit Committee relies on the work and assurances of the Company's management, which has the primary responsibility for financial statements and reports, and of the independent registered public accounting firm who, in their report, express an opinion on the conformity of the Company's financial statements to accounting principles generally accepted in the United States of America. The Audit Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal control over financial reporting designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions with management and the independent registered public accounting firm do not assure that the Company's financial statements are presented in accordance with accounting principles generally accepted in the United States of America, that the audit of the Company's financial statements has been carried out in accordance with the standards of the Public Company Accounting Oversight Board (United States) or that the Company's independent registered public accounting firm is in fact independent.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission. The Audit Committee has appointed, subject to shareholder ratification, the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012.

**The Audit Committee of the Board of Directors**

**of First Capital, Inc.**

William I. Orwick, Sr., Chairperson

Christopher L. Byrd

Kenneth R. Saulman

Carolyn E. Wallace

**DIRECTORS COMPENSATION**

The following table provides the compensation received by individuals who served as non-employee directors of the Company during the 2011 fiscal year. The table excludes perquisites, which did not exceed \$10,000 in the aggregate for each director.

| Name                               | Fees<br>Earned<br>or Paid<br>in Cash | Change in<br>Pension<br>Value<br>and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings (1) | All Other<br>Compensation (2) | Total     |
|------------------------------------|--------------------------------------|--|-------------------------------|-----------|
| John W. Buschemeyer                | \$ 12,821                            | \$ (1,204)   | \$ 1,060                      | \$ 12,677 |
| Christopher L. Byrd                | 12,821                               |  | 707                           | 13,528    |
| Kathryn W. Ernstberger             | 12,821                               |  | 1,060                         | 13,881    |
| Dennis L. Huber                    | 12,821                               |  | 1,060                         | 13,881    |
| Pamela G. Kraft                    | 12,821                               |  | 707                           | 13,528    |
| William I. Orwick, Sr.             | 12,821                               |  | 972                           | 13,793    |
| J. Gordon Pendleton <sup>(3)</sup> | 5,324                                | (1,807)  | 1,060                         | 4,577     |
| Kenneth R. Saulman                 | 12,821                               |  | 1,060                         | 13,881    |
| Mark D. Shireman                   | 12,821                               | 1,994  | 1,060                         | 15,875    |
| Michael L. Shireman                | 12,821                               |  | 1,060                         | 13,881    |
| Gerald L. Uhl                      | 12,821                               | 4,705  | 1,060                         | 18,586    |
| Carolyn E. Wallace                 | 12,821                               |  | 972                           | 13,973    |

- (1) Consists of a distribution under the Directors' Deferred Compensation Plan. Only Messrs. Gerald Uhl, Mark Shireman, Buschemeyer and Pendleton maintain a deferred compensation agreement with First Harrison Bank.
- (2) Represents bonuses paid during the year ended December 31, 2011.
- (3) Mr. Pendleton retired as a director of the Company effective May 18, 2011.

**Directors' Fees**

For the year ending December 31, 2012, members of First Harrison's Board of Directors will receive \$1,103 per Board meeting held. No separate fees will be paid for service on committees or on First Capital's Board of Directors.

**Directors' Deferred Compensation Agreements**

First Harrison Bank entered into Director Deferred Compensation Agreements with John W. Buschemeyer, J. Gordon Pendleton, Mark D. Shireman and Gerald L. Uhl effective April 1, 1992. The agreements allowed each director to defer a portion of his fees for a specified period of time. Deferrals have ceased under all of the agreements. Each director is entitled to the benefits provided under his agreement upon the earlier of: attainment of age 70, disability, early retirement or death. Benefits are payable in either a lump sum or in monthly installments over a 180 month period, based on each director's election. Mr. Buschemeyer commenced payments under his deferred compensation agreement in 2008 and Mr. Pendleton commenced payments under his deferred compensation agreement in 2011.



### STOCK OWNERSHIP

First Capital does not know of any beneficial owners of more than 5% of the Company's outstanding common stock. The following table provides information as of March 28, 2012 about the shares of First Capital common stock that may be considered to be beneficially owned by each director, each nominee for director, by each named executive officer listed in the *Summary Compensation Table* and by all directors and executive officers of the Company as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting power and sole investment power with respect to the shares shown and none of the named individuals has pledged his or her shares.

| Name   | Number of<br>Shares<br>Owned | Percent of<br>Common<br>Stock<br>Outstanding (1) |
|--|------------------------------|--|
| John W. Buschemeyer  | 18,511 <sup>(2)</sup>        | *  |
| Christopher L. Byrd  | 1,337                        | *  |
| Kathryn W. Ernstberger                                       | 550                          | *  |
| Michael C. Frederick   | 3,530 <sup>(3)</sup>         | *  |
| William W. Harrod  | 12,622 <sup>(4)</sup>        | *  |
| Dennis L. Huber  | 2,253                        | *  |
| Pamela G. Kraft  | 410                          | *  |
| William I. Orwick, Sr.                                       | 1,000                        | *  |
| Kenneth R. Saulman   | 12,364 <sup>(5)</sup>        | *  |
| Mark D. Shireman   | 47,387 <sup>(6)</sup>        | 1.70%  |
| Michael L. Shireman  | 18,812 <sup>(7)</sup>        | *  |
| Gerald L. Uhl  | 42,603 <sup>(8)</sup>        | 1.53%  |
| Samuel E. Uhl  | 54,639 <sup>(9)</sup>        | 1.96%  |
| Carolyn E. Wallace   | 100                          | *  |
| All directors and executive officers as a group (14 persons) | 216,118                      | 7.76%  |

\* Less than 1.0%.

(1) Based on 2,785,693 shares of Company common stock outstanding and entitled to vote as of March 28, 2012.

(2) Includes 6,116 shares held by the individual retirement account of Mr. Buschemeyer's spouse.

(3) Includes 2,398 shares allocated under the ESOP as to which Mr. Frederick exercises voting but not investment power.

(4) Includes 5,632 shares pledged as security and 2,946 shares allocated under the ESOP as to which Mr. Harrod exercises voting but not investment power.

(5) Includes 108 shares held indirectly for Mr. Saulman's grandchildren.

(6) Includes 4,580 shares owned by Mr. Mark Shireman's spouse and 2,200 shares held by the individual retirement account of Mr. Mark Shireman's spouse.

(7) Includes 5,097 shares owned by Mr. Michael Shireman's spouse and 2,465 shares held by the individual retirement account of Mr. Michael Shireman's spouse.

(8) Includes 5,953 shares owned by Mr. Gerald Uhl's spouse and 13,107 shares held by the individual retirement account of Mr. Gerald Uhl's spouse.

(9) Includes 220 shares owned by Mr. Samuel Uhl's spouse and 3,956 shares allocated under the ESOP as to which Mr. Samuel Uhl exercises voting but not investment power.

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**ITEMS TO BE VOTED ON BY SHAREHOLDERS**

**Item 1 Election of Directors**

The Board is divided into three classes with three-year staggered terms, with approximately one-third of the directors elected each year. Four directors will be elected at the annual meeting to serve for a three-year term, or until their respective successors have been elected and qualified. The nominees are Kathryn W. Ernstberger, William I. Orwick, Sr., Kenneth R. Saulman and Carolyn E. Wallace, each of whom are currently directors of the Company and the Bank. The Board of Directors has not renominated John W. Buschemeyer for election as a director of the Company upon the expiration of his term at this year's annual meeting of shareholders because he exceeds the director age limitation set forth in the Company's bylaws. The Board of Directors has adopted a resolution decreasing the size of the Board from thirteen to twelve directors effective upon the expiration of Mr. Buschemeyer's term as director at the annual meeting. There are no family relationships among the directors except as follows: Samuel E. Uhl and Gerald L. Uhl are brothers, and Mark D. Shireman and Michael L. Shireman are brothers.

The Board of Directors intends to vote the proxies solicited by it in favor of the election of the nominees named above. If any nominee is unable to serve, the persons named in the proxy card will vote your shares to approve the election of any substitute proposed by the Board of Directors. Alternatively, the Board of Directors may adopt a resolution to reduce the size of the Board. At this time, the Board of Directors knows of no reason why any nominee might be unable to serve.

**The Board of Directors recommends a vote FOR the election of Kathryn W. Ernstberger, William I. Orwick, Sr., Kenneth R. Saulman and Carolyn E. Wallace.**

Information regarding the Board of Directors' nominees and the directors continuing in office is provided below. Unless otherwise stated, each individual has held his or her current occupation for the last five years. The age indicated in each individual's biography is as of December 31, 2011. The indicated period for service as a director includes service as a director of First Harrison.

**Board Nominees for Terms Ending in 2015**

**Kathryn W. Ernstberger** is a professor of business administration at Indiana University Southeast in New Albany, Indiana. Age 48. Director since 2003.

Ms. Ernstberger's expertise provides the Board of Directors with quantitative business analysis skills, specifically in the areas of statistics and mathematical modeling.

**William I. Orwick, Sr.** has been a partner in the accounting firm of Rodefer Moss & Co., PLLC in New Albany, Indiana since September 2009. Mr. Orwick was previously a partner in the accounting firm of Melhiser Endres Tucker CPAs PC prior such firm's acquisition by Rodefer Moss & Co., PLLC in September 2009. Age 55. Director since 2010.

As a partner in a certified public accounting firm, Mr. Orwick provides the Board of Directors with significant experience regarding accounting and compliance matters. Mr. Orwick's experience also offers the Board of Directors substantial small and local company operations and management experience, specifically within the region in which the Bank conducts its business, and provides the Board with valuable insight regarding the local business and consumer environment. In addition, Mr. Orwick offers the board significant business experience individually and from his network of professionals and organizations both familiar with matters outside and inside of the financial services industry.

**Kenneth R. Saulman** was employed as a right-of-way supervisor for Clark County REMC, an electrical service company in Sellersburg, Indiana, until his retirement in 2008. Age 69. Director since 1997.

Mr. Saulman's experience as a past elected official in the Bank's local community, as well as his prior service with a rural electric cooperative, provides the Board with an understanding of issues related to growth in the local community and opportunities for growth in surrounding counties.

**Carolyn E. Wallace** is the Director of Business Operations for the South Harrison Community School Corporation in Corydon, Indiana. Age 42. Director since 2010.

Ms. Wallace's training as a certified public accountant and accounting background provide the Board with experience regarding accounting and financial matters.

#### **Directors Continuing in Office with Terms Ending in 2013**

**Christopher L. Byrd** is the manager and owner of Hoosier Hollywood Development, LLC (d/b/a Corydon Cinemas) in Corydon, Indiana. Age 43.

Mr. Byrd's background offers the Board of Directors significant small company management experience, specifically within the community in which the Bank conducts its business, and provides the Board with valuable insight regarding the local business and consumer environment. In addition, Mr. Byrd offers the Board significant business experience from a setting outside of the financial services industry.

**Pamela G. Kraft** is the President of Generations Monuments & Memorials, Inc. in New Albany, Indiana and serves as Vice President Treasurer of the Funeral Consumer Guardian Society in New Albany, Indiana. Age 52.

Ms. Kraft's involvement with the Funeral Consumer Guardian Society has allowed her to develop strong ties to the community and has provided the Board with valuable insight regarding the local business environment.

**Mark D. Shireman** is the President of James L. Shireman, Inc. in Corydon, Indiana. Age 60. Director since 1989.

Mr. Shireman's substantial small company management experience, specifically within the region in which the Bank conducts its business, provides the Board of Directors with valuable insight regarding the local business and consumer environment. In addition, Mr. Shireman offers the Board significant business experience from a setting outside of the financial services industry through his involvement in business and civic organizations in the communities in which the Bank serves.

**Michael L. Shireman** is the President of Uhl Truck Sales, Inc., a medium and heavy truck dealer in Louisville, Kentucky and Palmyra, Indiana. Mr. Shireman is a former director of HCB Bancorp, Inc. Age 63. Director since 2000.

Mr. Shireman's background offers the Board of Directors significant small company management experience, specifically within the community in which the Bank conducts its business, and provides the Board with valuable insight regarding the local business and consumer environment. In addition, Mr. Shireman offers the Board significant business experience from a setting outside of the financial services industry.

**Samuel E. Uhl** is the President and Chief Executive Officer of First Harrison and Chief Operating Officer of First Capital. Mr. Uhl has served as President of First Harrison since 1996. Upon completion of the merger of First Federal and Harrison County Bank, Mr. Uhl added the title of Chief Executive Officer of First Harrison. Age 66. Director since 1995.

Mr. Uhl's extensive experience in the local banking industry and involvement in business and civic organizations in the communities in which the Bank serves affords the Board valuable insight regarding the business and operations of the Company and Bank. In addition, Mr. Uhl's knowledge of all aspects of the Company's and Bank's business and history, combined with his success and strategic vision, position him well to continue to serve as the President and Chief Executive Officer of the Bank.

#### **Directors Continuing in Office with Terms Ending in 2014**

**William W. Harrod** became the President and Chief Executive Officer of First Capital and Chief Operating Officer of First Harrison in January 2000. Mr. Harrod previously served as President and Chief Executive Officer of HCB Bancorp, Inc. and Harrison County Bank. Mr. Harrod is a former director of HCB Bancorp, Inc. Age 55. Director since 2000.

Mr. Harrod's extensive experience in the local banking industry and involvement in business and civic organizations in the communities in which the Bank serves affords the Board valuable insight regarding the business and operations of the Company and Bank. In addition, Mr. Harrod's knowledge of all aspects of the Company's and Bank's business and history, combined with his success and strategic vision, position him well to continue to serve as President and Chief Executive Officer of the Company.

**Dennis L. Huber** is retired. He is the former President and Publisher of O'Bannon Publishing Co., Inc. in Corydon, Indiana. Age 72. Director since 1997.

Mr. Huber's history as president of a local business provides the Board with experience in the local community outside of the financial services industry.

**Gerald L. Uhl** is the Business Manager and Controller for Jacobi Sales, Inc., a farm implement dealership in Palmyra, Indiana. Age 71. Director since 1973.

Mr. Uhl offers the Board of Directors substantial small company management experience, specifically within the region in which the Bank conducts its business, and provides the Board with valuable insight regarding the local business and consumer environment. In addition, Mr. Uhl offers the Board significant business experience from a setting outside of the financial services industry.

#### **Item 2 Ratification of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors has appointed Monroe Shine & Co., Inc. to be the Company's independent registered public accounting firm for the 2012 fiscal year, subject to ratification by shareholders. A representative of Monroe Shine & Co., Inc. is expected to be present at the annual meeting to respond to appropriate questions from shareholders and will have the opportunity to make a statement should he desire to do so.

If the ratification of the appointment of the independent registered public accounting firm is not approved by a majority of the votes cast by shareholders at the annual meeting, the Audit Committee of the Board of Directors will consider other independent registered public accounting firms.

**The Board of Directors recommends that shareholders vote FOR the ratification of the appointment of Monroe Shine & Co., Inc. as the Company's independent registered public accounting firm.**

**Audit Fees.** The following table sets forth the fees that Monroe Shine & Co., Inc. billed to the Company for the fiscal years ended December 31, 2011 and 2010.

|                                   | 2011       | 2010      |
|-----------------------------------|------------|-----------|
| Audit Fees <sup>(1)</sup>         | \$ 104,140 | \$ 96,390 |
| Audit-Related Fees <sup>(2)</sup> | 36,650     | 24,825    |
| Tax Fees <sup>(3)</sup>           | 16,500     | 16,590    |
| All Other Fees <sup>(4)</sup>     | 36,260     | 1,200     |

- (1) Includes fees billed for the audit of consolidated financial statements, including review of interim financial information contained in Quarterly Reports on Form 10-Q and other regulatory reports.
- (2) Includes fees billed for attestation and related services traditionally performed by the auditor, including attestation services not required by statute or regulation, consultation concerning financial accounting and reporting standards.
- (3) Includes fees billed for tax compliance services, including preparation of federal and state income tax returns, preparation of property tax returns, and tax payment and planning advice.
- (4) Includes fees for services provided by an affiliate of Monroe Shine & Co. for information technology project management services not associated with the Company's financial statements.

***Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm.***

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In accordance with its charter, the Audit Committee approves, in advance, all audit and permissible non-audit services to be performed by the independent registered public accounting firm. This approval process ensures that the firm does not provide any non-audit services to the Company that are prohibited by law or regulation.

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following information is furnished for the principal executive officer of the Company, and for the next two most highly compensated executive officers of the Company whose total compensation for the year ended December 31, 2011 exceeded \$100,000.

| Name and Principal Position                                       | Year | Salary<br>\$(1) | Bonus<br>(\$) | All Other<br>Compensation<br>\$(2) | Total<br>(\$) |
|---|------|-----------------|---------------|------------------------------------|---------------|
| William W. Harrod<br><i>President and Chief Executive Officer</i> | 2011 | \$ 171,551      | \$ 13,492     | \$ 24,874                          | \$ 209,917    |
|   | 2010 | 164,524         | 13,374        | 21,770                             | 199,668       |
| Samuel E. Uhl<br><i>Chief Operating Officer</i>                   | 2011 | 171,551         | 13,492        | 23,432                             | 208,475       |
|   | 2010 | 164,525         | 13,035        | 22,511                             | 200,071       |
| Michael C. Frederick<br><i>Chief Financial Officer</i>            | 2011 | 99,005          | 8,415         | 17,108                             | 124,528       |
|   | 2010 | 96,351          | 8,775         | 15,689                             | 120,815       |

(1) Includes directors' fees of \$12,821 for each of Messrs. Harrod and Uhl for fiscal 2011.

(2) Details of the amounts reported in the All Other Compensation column for 2011 are provided in the table below:

|  | Mr. Harrod | Mr. Uhl   | Mr. Frederick |
|--|------------|-----------|---------------|
| Employer contributions to 401(k) Plan            | \$ 11,111  | \$ 11,111 | \$ 6,932      |
| Health insurance                                 | 10,343     | 11,026    | 6,932         |
| Disability insurance                             | 860        | 860       | 805           |
| Life insurance                                   | 322        | 197       | 201           |
| Dental insurance                                 | 238        | 238       | 238           |
| Employer contributions to health savings account | 2,000      |           | 2,000         |

### Employment Agreements

First Harrison and First Capital maintain employment agreements with William W. Harrod, Samuel E. Uhl and Michael C. Frederick. The employment agreements provided for an initial three-year term which may be extended annually for an additional year so that the term remains fixed at three years, unless an executive elects not to extend his agreement. Currently, the employment agreements with Messrs. Harrod and Frederick will expire on January 12, 2014 and the employment agreement with Mr. Uhl will expire on January 12, 2013. The employment agreements provide that each executive's base salary will be reviewed annually. The current base salary under the employment agreements for Messrs. Harrod, Uhl and Frederick (each an executive) is \$158,680, \$158,680 and \$99,005, respectively. In addition to base salary, the employment agreements provide for, among other things, participation in stock benefits plans and other fringe benefits applicable to executive personnel. The employment agreements provide for termination for cause, as defined in the employment agreements, at any time. If an executive is terminated for reasons other than for cause, or if an executive voluntarily terminates his employment after specified circumstances that would constitute constructive termination (as set forth in the agreements), the executive (or, if the executive dies, his beneficiary), would be entitled to receive severance payments and benefits. See *Executive Compensation Potential Post-Termination Benefits* for a discussion of the termination benefits for Messrs. Harrod, Uhl and Frederick. In addition, upon an executive's termination of employment for reasons other than cause or a change in control, the executive must adhere to a one-year non-competition agreement.

First Capital guarantees the payments to executives under the employment agreement if they are not paid by First Harrison. All reasonable costs and legal fees incurred by the executive under any dispute or question of interpretation relating to the employment agreements will be paid by First Capital, if the executive is successful on the merits in a legal judgment, arbitration or settlement. The employment agreements also provide that each executive will be indemnified to the fullest extent legally allowable for all expenses and liabilities he may incur in connection with any suit or proceeding in which he may be involved by reason of his having been a director or officer of First Harrison or First Capital.

#### **Potential Post-Termination Benefits**

**Employment Agreements.** Under the terms of the employment agreements with Messrs. Harrod, Uhl and Frederick, the executives may be terminated for cause, as defined in the employment agreements, at any time. If an executive is terminated for cause, he will receive only his base salary earned as of the effective date of his termination.

If an executive is terminated for reasons other than for cause, or if an executive voluntarily terminates his employment after specified circumstances that would constitute constructive termination (as set forth in the agreements), the executive (or, if the executive dies, his beneficiary), would be entitled to receive an amount equal to the payments that executive would have received during the remaining term of his employment agreement, including base salary, bonuses and other cash or deferred compensation paid or to be paid to the executive and contributions that would have been made on the executive's behalf to any employee benefit plans of First Harrison during the remaining term of the employment agreement. First Harrison would also continue to pay for the executive's life, medical, dental and disability coverage for the remaining term of the employment agreement. Severance payments are made within 30 days of an executive's termination date.

If a named executive terminates his employment due to a disability (as defined in the employment agreement) during the term of his employment agreement, First Harrison will pay the executive, as disability pay, a bi-weekly payment equal to three-quarters of the executive's bi-weekly rate of salary on the date of his termination. The executive will also continue to receive life, medical, dental and disability coverage until the earlier of: the executive's attainment of age 65, the executive's death, the expiration of the term of the employment agreement or the executive's return to full-time employment.

Upon a change in control (as defined in the agreement) followed by an executive's termination of employment, the executive is entitled to a lump sum cash payment equal to 2.99 times the executive's average annual compensation during the five-year period preceding the effective date of the change in control (the base amount). In addition to cash payments, Messrs. Harrod, Uhl and Frederick would also be entitled to continued insurance coverage for 36 months following termination of employment. However, in accordance with the terms of the employment agreements, the total value of the benefits provided and payments made to an executive in connection with a change in control may not exceed three times an executive's average annual compensation during the five-year period preceding a change in control.

**ESOP.** If there is a change in control (as defined in the ESOP) of the Company, the ESOP will terminate as of the effective date of the change in control and the plan trustee will repay in full any outstanding acquisition loan. After repayment of the acquisition loan, all remaining shares of First Capital stock held in the loan suspense account, all other stock or securities, and any cash proceeds from the sale or other disposition of any shares of First Capital stock held in the loan suspense account will be allocated among the accounts of all participants in the plan who were employed by First Capital or First

Harrison on the date immediately preceding the effective date of the change in control. The allocations of shares or cash proceeds will be credited to each eligible participant in proportion to the opening balances in their accounts as of the first day of the valuation period in which the change in control occurred.

## **OTHER INFORMATION RELATING TO DIRECTORS AND EXECUTIVE OFFICERS**

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Company's executive officers and directors, and persons who own more than 10% of any registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities Exchange Commission. Executive officers, directors and greater than 10% shareholders are required by regulation to furnish the Company with copies of all Section 16(a) reports they file.

Based solely on its review of the copies of the reports it has received and written representations provided to the Company from the individuals required to file the reports, the Company believes that each of its executive officers, directors and greater than 10% beneficial owners has complied with applicable reporting requirements for transactions in First Capital common stock during the fiscal year ended December 31, 2011, except for late Form 4s filed by: (i) Christopher L. Byrd with respect to the acquisition of shares of Company common stock in April 2011; and (ii) Dennis L. Huber with respect to the disposition of shares of Company common stock in June 2011.

### **Transactions with Related Persons**

The Sarbanes-Oxley Act of 2002 generally prohibits First Capital from extending loans to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from this prohibition for loans by First Harrison to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured financial institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and must not involve more than the normal risk of repayment or present other unfavorable features. First Harrison, therefore, is prohibited from making any new loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public. Notwithstanding this rule, federal regulations permit First Harrison to make loans to its executive officers and directors at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer or director over any other employee. Currently, the Bank does not have such a program.

The Company does not have a comprehensive written policy for the review, approval or ratification of certain transactions with related persons. However, in accordance with banking regulations, the Board of Directors reviews all loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to such person and his or her related interests, exceeds the greater of \$25,000 or 5% of First Capital's capital and surplus (up to a maximum of \$500,000) and such loans are approved in advance by a majority of the disinterested members of the Board of Directors. Additionally, as required by the Company's Code of Ethics and Business Conduct, all executive officers and directors of the Company must disclose any existing or emerging conflicts of interest to the Company's President and Chief Executive Officer. Such potential conflicts of interest include, but are not limited to: (i) the Company conducting business with or competing against an organization in which a family member of an executive officer or director has an ownership or employment interest and (ii) the ownership of more than 5% of the outstanding securities or 5% of total assets of any business entity that does business with or is in competition with the Company.



Director Gerald L. Uhl is a shareholder in Jacobi Sales, Inc. ( JSI ), a farm implement dealership that contracts with First Harrison to provide sales financing to customers of JSI. First Harrison does not grant preferential credit under this arrangement. During the fiscal year ended December 31, 2011, First Harrison granted approximately \$444,000 of credit to JSI customers and such loans had an aggregate outstanding balance of \$362,000 at December 31, 2011. At December 31, 2011, one loan, with an aggregate outstanding balance of \$3,000, was delinquent 30 days or more.

There are no other transactions or series of similar transactions between us and any of our directors or executive officers in which the amount involved exceeds \$120,000 since the beginning of our last fiscal year, or which are currently proposed.

#### **SUBMISSION OF BUSINESS PROPOSALS**

#### **AND SHAREHOLDER NOMINATIONS**

Proposals that shareholders seek to have included in the proxy statement for the Company's next annual meeting must be received by the Company no later than December 13, 2012. If next year's annual meeting is held on a date more than 30 days from May 23, 2013, a shareholder proposal must be received within a reasonable time before the Company begins to print and mail its proxy solicitation materials for such annual meeting. Any such proposals will be subject to the requirements of the proxy rules adopted by the Securities Exchange Commission.

The Company's Bylaws provide that, in order for a shareholder to make nominations for the election of directors or proposals for business to be brought before the annual meeting, a shareholder must deliver notice of such nominations and/or proposals to the Corporate Secretary not less than 90 nor more than 120 days before the date of the annual meeting; provided that if less than 100 days' notice of the annual meeting is given to shareholders, such notice must be delivered not later than the close of the tenth day following the day on which notice of the annual meeting was mailed to shareholders. A copy of the Bylaws may be obtained from the Company.

#### **SHAREHOLDER COMMUNICATIONS**

The Company encourages shareholders to communicate with the Board of Directors and/or individual directors. Shareholders who wish to communicate with the Board of Directors or an individual director should do so in writing to William W. Harrod, President and Chief Executive Officer of First Capital, Inc., 220 Federal Drive, N.W., Corydon, Indiana 47112. Communications regarding financial or accounting policies may be made in writing to the Chairperson of the Audit Committee, William I. Orwick, Sr., at the same address. All other communications should be sent in writing to the attention of the Chairperson of the Nominating Committee, Christopher L. Byrd, also at the same address.

#### **MISCELLANEOUS**

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses they incur in sending proxy materials to the beneficial owners of First Capital common stock. In addition to soliciting proxies by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone without receiving additional compensation.

## Edgar Filing: FIRST CAPITAL INC - Form DEF 14A

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A notice of internet availability regarding this proxy statement and the Company's Annual Report on Form 10-K has been mailed to persons who were shareholders as of the close of business on March 28, 2012. Any shareholder who would like to receive a paper copy of the proxy statement or Form 10-K may obtain a copy by writing to the Corporate Secretary of the Company. The Form 10-K is not to be treated as part of the proxy solicitation material or as having been incorporated in this proxy statement by reference.

Whether or not you plan to attend the annual meeting, please vote by marking, signing, dating and promptly returning a proxy card.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Jill Keinsley

Jill Keinsley  
*Corporate Secretary*

Corydon, Indiana

April 12, 2012







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[FIRST CAPITAL, INC. LETTERHEAD]

Dear ESOP Participant:

As a participant in the First Harrison Bank Employee Stock Ownership Plan (the "ESOP") you are entitled to direct the trustees of the ESOP how to vote the shares of First Capital, Inc. (the "Company") common stock allocated to your ESOP account. On behalf of the Board of Directors of the Company, I am forwarding you the enclosed vote authorization form for the purpose of providing the ESOP trustees with voting instructions for the proposals to be presented at the Annual Meeting of Shareholders of First Capital, Inc. which will be held on May 23, 2012. The ESOP trustees are William W. Harrod, Samuel E. Uhl and Michael C. Frederick. Also enclosed with this letter, is a Notice and Proxy Statement for the Annual Meeting of Shareholders and a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

The ESOP trustees will vote the shares of Company common stock allocated to your ESOP account as you direct; provided that the ESOP trustees receive your instructions by **May 16, 2012**. The ESOP trustees, subject to their fiduciary duties, will vote any allocated shares of Company common stock for which you fail to provide timely instructions in a manner calculated to most accurately reflect the timely instructions received from other ESOP participants regarding the shares of Company common stock allocated to their accounts.

In order to direct the voting of the shares of Company common stock allocated to your ESOP account, please complete, sign and date the enclosed vote authorization form and return it in the enclosed postage-paid envelope **no later than May 26, 2012**. Your voting instructions will be tabulated by the Company's outside legal counsel and will not be revealed, directly or indirectly, to any employee or director of the Company or First Harrison Bank.

Sincerely,

/s/ William W. Harrod

William W. Harrod

*President and Chief Executive Officer*

**VOTE AUTHORIZATION FORM**

**FIRST CAPITAL, INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

**May 23, 2012**

**12:00 Noon, Local Time**

I understand that William W. Harrod, Samuel E. Uhl and Michael C. Frederick, serving as the trustees of the First Harrison Bank Employee Stock Ownership Plan ( ESOP ), are the holders of record and custodian of all shares of First Capital, Inc. (the Company ) common stock allocated to me under the ESOP. Further, I understand that my voting instructions are solicited on behalf of the Company s Board of Directors for the Annual Meeting of Shareholders to be held on May 23, 2012.

Accordingly, please vote my shares as follows:

- 1. The election as directors of all nominees listed (except as marked to the contrary below).

Kathryn W. Ernstberger, William I. Orwick, Sr., Kenneth R. Saulman and Carolyn E. Wallace

|            |                 |               |
|------------|-----------------|---------------|
|            | VOTE            | FOR ALL       |
| <u>FOR</u> | <u>WITHHELD</u> | <u>EXCEPT</u> |
| ..         | ..              | ..            |

INSTRUCTION: To withhold your vote for any individual nominee, mark FOR ALL EXCEPT and write that nominee s name in the space provided below.

- 2. The ratification of the appointment of Monroe Shine & Co., Inc. as the independent registered public accounting firm for First Capital for the fiscal year ending December 31, 2012.

|     |         |         |
|-----|---------|---------|
| FOR | AGAINST | ABSTAIN |
|-----|---------|---------|

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH  
OF THE LISTED NOMINEES AND PROPOSALS.**

The ESOP Trustees are hereby authorized to vote all shares allocated to my ESOP account as indicated above.

Date

Signature

**Please date, sign and return this form in the enclosed envelope no later than May 16, 2012.**